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84TH CONGRESS
1ST SESSION

S. 1286

IN THE SENATE OF THE UNITED STATES

MARCH 2, 1955

Mr. ELLENDER (by request) introduced the following bill; which was read twice
and referred to the Committee on Agriculture and Forestry

A BILL

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1955".

5 TITLE I—BANKS FOR COOPERATIVES

6 SEC. 101. Section 42 of the Farm Credit Act of 1933,
7 as amended, is amended to read as follows:

8 "SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP;

1 VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF
2 STOCK.—Except as provided in section 111 of the Farm
3 Credit Act of 1955, each regional bank for cooperatives shall
4 have the following classes of stock, all of which shall have a
5 par value of \$100 per share:

6 “(1) Class A stock shall be issued to and held by the
7 Governor of the Farm Credit Administration on behalf of
8 the United States, and stock of such banks held by the
9 Governor on the effective date of title I of the Farm Credit
10 Act of 1955 shall be exchanged, share for share, for class
11 A stock of the respective banks. Class A stock shall be non-
12 voting and no dividends shall be paid thereon. At the end
13 of each fiscal year, each of such banks, subject to the pro-
14 visions of sections 33 and 40, shall determine the amount
15 of class A stock that shall be retired at par by that bank.
16 The minimum amount of class A stock that shall be retired
17 shall be the equivalent in dollar value of the amount of
18 class C stock issued for that year, except that class C stock
19 issued by a regional bank on account of class C stock issued
20 to it by the central bank, class C stock issued by a regional
21 bank in exchange for class B stock the proceeds of which
22 were used to retire an equivalent amount of class A stock,
23 and class C stock issued by a regional bank in exchange
24 for capital stock of the bank outstanding on the effective
25 date of title I of the Farm Credit Act of 1955, shall not

1 be included in such bank's calculation. Any amount of
2 class A stock retired in excess of such minimum amount in
3 one year may be used to reduce to that extent the amount
4 of such stock required to be retired in any subsequent year.
5 Funds from the retirement of class A stock shall be paid
6 into the revolving fund authorized by the Agricultural Mar-
7 keting Act, as amended, and shall continue to be available
8 for the purchase of class A stock in the banks in accordance
9 with sections 33 and 40.

10 “(2) Class B stock may be issued in series and amounts
11 approved by the Farm Credit Administration, and may be
12 sold or transferred to any person subject to the approval
13 of the issuing bank. Such stock shall be issued only at par
14 and shall be nonvoting. Any bank may pay dividends of
15 not to exceed 4 per centum per annum on class B stock
16 if declared by the board of directors and approved by the
17 Farm Credit Administration and if the surplus account of
18 the bank, after payment of such dividends, will not be less
19 than 25 per centum of the sum of all its outstanding capital
20 stock. Dividends on class B stock shall not be cumulative,
21 but no bank shall distribute in any year any of its net
22 savings as patronage refunds as provided in section 36 (a)
23 unless for that year a dividend of at least 2 per centum
24 is declared and paid upon outstanding class B stock of the
25 bank. Each series of class B stock shall be issued only

1 with the approval of the Farm Credit Administration and
2 shall carry on the face of each certificate a statement of
3 the maximum dividend which may be declared and paid
4 thereon and of the minimum dividend which shall be de-
5 clared and paid thereon before the bank may distribute
6 any of its net savings as patronage refunds: *Provided*,
7 That such maximum and minimum dividends may be the
8 same amount. After all class A stock has been retired,
9 class B stock may be called for retirement at par with the
10 approval of the Farm Credit Administration and shall be
11 called in such manner that the oldest outstanding stock at
12 any given time will be retired first. Any holder of class
13 B stock whose stock has been called for retirement may
14 elect, with the approval of the issuing bank, to leave his
15 stock in the bank subject to its being included in the next
16 call for retirement.

17 “(3) Class C stock, except as approved by the Farm
18 Credit Administration and consented to by the issuing bank,
19 may be issued only to banks for cooperatives and farmers’
20 cooperative associations as defined in section 15 (a) of the
21 Agricultural Marketing Act, as amended. Such stock may
22 be issued in fractional shares, shall be issued at its fair book
23 value not exceeding par, as determined by the bank, and no
24 dividends shall be paid on it. Each holder of one or more
25 shares of class C stock which is eligible to borrow from a

1 bank for cooperatives shall be entitled to one vote only:
2 *Provided*, That any such holder which within the period of
3 two years next preceding a date, fixed by the Farm Credit
4 Administration, prior to commencement of the voting has not
5 been a borrower from a bank of which it holds class C stock
6 shall not be entitled to vote. From time to time each bank
7 for cooperatives shall obtain information concerning its class
8 C stockholders to determine whether they continue to be
9 eligible to borrow from the bank and to vote. Any class C
10 stockholder found by the bank to be ineligible to borrow
11 shall not be entitled to vote until its eligibility is reestab-
12 lished to the satisfaction of the bank. Whenever in section
13 5 of the Farm Credit Act of 1937, as amended, and section 4
14 (a) of the Farm Credit Act of 1953, provision is made for a
15 nomination or election by cooperatives which are stock-
16 holders or subscribers to the guaranty fund of any bank for
17 cooperatives the term 'cooperatives which are stockholders
18 or subscribers to the guaranty fund' or the equivalent of that
19 term, shall mean such cooperatives which are eligible to vote.
20 Each borrower from a bank for cooperatives shall be required
21 to own at the time the loan is made at least one share of
22 class C stock. The purchase price of such stock may be
23 retained out of the loan. In addition, each borrower as
24 defined by the Farm Credit Administration for purposes of
25 this sentence, shall be required to invest quarterly in class

1 C stock an amount equal to not less than 10 nor more than
2 25 per centum, as prescribed by the board of directors of
3 the bank with the approval of the Farm Credit Administra-
4 tion, of the amount of interest payable by it to the bank
5 during the calendar quarter. Payments for such stock shall
6 be made quarterly or when the regular interest payments
7 of the borrower are payable, but the stock shall be issued
8 to the borrower as of the end of each fiscal year in the amount
9 of the payments for stock made by it during the year. Each
10 regional bank shall purchase at least one share of class C
11 stock of the central bank. In addition, the regional bank
12 shall be required to invest quarterly in class C stock of the
13 central bank an amount equal to not less than 10 nor more
14 than 25 per centum, as prescribed by the board of directors
15 of the central bank with the approval of the Farm Credit
16 Administration, of the amount of interest payable by the
17 regional bank to the central bank during the calendar quarter
18 by reason of any interest purchased by the central bank in
19 a loan made by the regional bank. Payments for such stock
20 shall be made to the central bank and the stock shall be
21 issued to the regional bank in the same manner, insofar as
22 practicable, as is provided in this section for payments for
23 and issuance of stock on account of loans by the regional
24 bank in which the central bank does not purchase any
25 interest. Subject to rules prescribed by the board of directors

1 of the lending bank with the approval of the Farm Credit
2 Administration, a borrower may convert class B stock into
3 class C stock for the purpose of making the investment in
4 class C stock required by this paragraph. After retirement
5 of all class A stock class C stock also may be retired at par
6 by calling the oldest outstanding class C stock but class C
7 stock that was issued for a fiscal year period shall not be
8 called for retirement until all class B stock that was issued
9 during or prior to that fiscal year has been called for
10 retirement.

11 “(b) GUARANTY FUND SUBSCRIPTIONS IN LIEU OF
12 STOCK.—If a cooperative association is not authorized under
13 the laws of the State in which it is organized to take stock
14 in the bank, the bank shall, in lieu thereof, require the asso-
15 ciation to pay into or have on deposit in a guaranty fund of
16 the bank, or the bank may retain out of the amount of the
17 loan and credit to the guaranty fund, a sum equal to the
18 amount of class C stock which the association would other-
19 wise be required by subsection (a) (3) of this section to
20 own at the time the loan is made and to purchase thereafter.
21 Any such association may make additional payments into
22 the guaranty fund from time to time in lieu of the purchase
23 of class B stock, and shall receive credits to such fund in
24 lieu of patronage refunds payable in class C stock. Each
25 reference in this Act to capital stock or class B or class C

1 stock shall include also the guaranty fund equivalents of
2 such stock, and, to the extent permitted under the laws of
3 a State in which a cooperative association is organized, a
4 holder of guaranty fund equivalents of either class B or class
5 C stock shall have the same rights and status as a holder of
6 class B or class C stock, respectively. The rights and obliga-
7 tions of the bank as respects such guaranty fund equivalents
8 shall be identical to its rights and obligations as respects class
9 B or class C stock, respectively.

10 “ (c) LIEN ON STOCK.—Except as hereinafter provided
11 in the case of an association which is a direct borrower from
12 the central bank, each bank for cooperatives shall have a first
13 lien on all stock in the bank owned by each cooperative as-
14 sociation as additional collateral for any indebtedness of such
15 association to the bank. In the case of an association which
16 is a direct borrower from the central bank, the central bank
17 shall have a first lien on any amount of class C stock which
18 the borrowing association owns in any regional bank on ac-
19 count of direct loans of such association from the central
20 bank; and the regional bank shall have a lien on such stock
21 junior only to the lien of the central bank. In any case
22 where the debt of a borrower is in default, the bank may, in
23 accordance with regulations of the Farm Credit Administra-
24 tion, retire and cancel all or a part of the stock of the de-
25 faulting borrower at the fair book value thereof, not exceed-

ing par, in total or partial liquidation of the debt, as the case may be, and, to the extent required, corresponding shares held by a regional bank in the central bank shall be retired.

“(d) CALCULATION OF PROPORTIONATE INTERESTS IN BANKS.—For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term ‘capital stock and subscriptions to the guaranty fund held by cooperatives’ or the equivalent of that term shall also mean all outstanding class B and class C stock and the guaranty fund equivalents thereof.”

SEC. 102. Section 35 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

“SEC. 35. APPLICATION OF REGIONAL BANK STOCK PROVISIONS TO CENTRAL BANK.—All provisions of law with respect to class A, class B, and class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the central bank shall be required to own at the time the loan is made at least one share of class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in class C stock in such

1 regional bank or banks as the Farm Credit Administration
2 shall designate an amount equal to not less than 10 nor more
3 than 25 per centum, as prescribed by the board of directors
4 of the central bank with the approval of the Farm Credit
5 Administration, of the amount of interest payable by such
6 borrower to the central bank during the calendar quarter.
7 Payments for such stock shall be made quarterly or when
8 the regular interest payments of such borrower are payable;
9 but the stock shall be issued to the borrower as of the end
10 of each fiscal year in the amount of the payments for stock
11 made by it during such year. The regional bank whose
12 stock is so issued to such borrower shall purchase a corre-
13 sponding amount of class C stock in the central bank.”

14 SEC. 103. Section 36 of the Farm Credit Act of 1933,
15 as amended, is amended to read as follows:

16 “SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank
17 for cooperatives, at the end of each fiscal year, shall deter-
18 mine the amount of its net savings after paying or provid-
19 ing for all operating expenses (including reasonable valua-
20 tion reserves and losses in excess of any such applicable
21 reserves) and shall apply such savings as follows: (1) To
22 the restoration of the amount of the impairment, if any, of
23 capital stock, as determined by its board of directors; (2)
24 25 per centum of any remaining savings shall be used to
25 create and maintain a surplus account; (3) if said bank shall

1 have outstanding capital stock held by the United States
2 during the whole or any part of the fiscal year, it shall next
3 pay to the United States as a franchise tax, a sum equal to
4 25 per centum of its net savings then remaining, not exceed-
5 ing, however, a rate of return on such Government capital
6 calculated at a rate equal to the computed average annual
7 rate of interest on all public issues of public debt obligations
8 of the United States issued during the fiscal year ending
9 next before such tax is due, as certified to the Farm Credit
10 Administration by the Secretary of the Treasury; (4) reason-
11 able contingency reserves may be established; (5) dividends
12 on class B stock may be declared as provided in section 42
13 (a) (2) ; and (6) any remaining net savings shall be dis-
14 tributed as patronage refunds as provided in subsection (b)
15 of this section: *Provided*, That any patronage refunds re-
16 ceived by a regional bank from the central bank shall be
17 excluded from net savings of the regional bank for the pur-
18 pose of computing such franchise tax. Amounts applied as
19 provided in (2) and (4) above after the effective date of
20 title I of the Farm Credit Act of 1955 shall be allocated on
21 a patronage basis approved by the Farm Credit Adminis-
22 tration. At the end of any fiscal year, any portion of the
23 reserve established under (4) above which is no longer
24 deemed necessary shall be transferred to the surplus account
25 and, if the surplus account of any such bank for cooperatives

1 exceeds 25 per centum of the sum of all its outstanding cap-
2 ital stock, the bank may distribute in the same manner as a
3 patronage refund any part or all of such excess which has
4 been allocated. In making such distributions, the oldest
5 outstanding allocations shall be distributed first. Wherever
6 used in this Act, the words 'surplus account' as applied to
7 any bank for cooperatives shall mean any surpluses and con-
8 tingency reserves shown on the books of the banks as of the
9 effective date of title I of the Farm Credit Act of 1955 and
10 any amounts applied as provided in (2) above after the
11 effective date of said title I. Said surplus account shall be
12 divided to show the amounts thereof subject to allocation as
13 provided in this section and may be further subdivided as
14 prescribed by the Farm Credit Administration. In the event
15 of a net loss in any fiscal year after providing for all oper-
16 ating expenses (including reasonable valuation reserves and
17 losses in excess of any such applicable reserves), such loss
18 shall be absorbed by: first, charges to allocated contingency
19 reserves; second, charges to allocated surplus; third, charges
20 to other contingency reserves and surplus pro rata in accord-
21 ance with the second sentence of subsection (c) of this sec-
22 tion; fourth, the impairment of class C stock; and fifth, the
23 impairment of all other stock.

24 “(b) PATRONAGE REFUNDS.—The patronage refunds
25 of each regional bank for cooperatives shall be paid in

1 class C stock to borrowers, as defined by the Farm Credit
2 Administration for the purposes of this subsection, during
3 the fiscal year for which the refunds are declared. Patron-
4 age refunds of the Central Bank for Cooperatives shall be
5 paid in class C stock to the regional banks for cooperatives
6 upon the basis of interests held by the central bank in loans
7 made by the regional banks and upon direct loans made
8 by the central bank to cooperative associations; and any
9 part of such refunds derived from such direct loans of the
10 central bank shall be paid in class C stock issued to the
11 regional bank or banks which issued to the borrower the
12 stock incident to the loans, or to a regional bank or banks
13 designated by the Farm Credit Administration, and such
14 bank or banks shall issue a like amount of class C stock to
15 the borrowers. All patronage refunds shall be paid in the
16 proportion that the amount of interest earned on the loans
17 of each borrower bears to the total interest earned on the
18 loans of all borrowers during the fiscal year.

19 “(c) APPLICATION OF ASSETS ON LIQUIDATION OR
20 DISSOLUTION.—In the case of liquidation or dissolution of
21 any bank for cooperatives, after the payment or retirement,
22 as the case may be, first, of all liabilities; second, of all capital
23 stock issued before the effective date of title I of the Farm
24 Credit Act of 1955 held by cooperative associations at par,
25 all class A stock at par, and all class B stock at par; and

1 third, of all class C stock at par; any surpluses and con-
2 tingency reserves then remaining shall be distributed as pro-
3 vided in this subsection. If necessary in absorbing losses.
4 allocated contingency reserves and allocated surpluses shall
5 be exhausted first in accordance with rules prescribed by
6 the Farm Credit Administration and other contingency re-
7 serves and surpluses shall be used pro rata. Any surpluses
8 and contingency reserves which were on hand as of the
9 effective date of said title I, shall be apportioned on the basis
10 of stock ownership in the bank on such date and that part
11 of such surpluses and reserves so apportioned to stock owned
12 by the United States, shall be paid into the Treasury as
13 miscellaneous receipts and that part of such surpluses and
14 reserves so apportioned to stock owned by all others shall
15 be paid to the holders of outstanding stock issued before
16 the effective date of said title I and class C stock pro rata:
17 *Provided*, That if the central bank is liquidated or dissolved
18 before the regional banks, that part of such surpluses and
19 reserves so apportioned to stock owned by the United States
20 shall be distributed to the regional banks on the basis of
21 stock held by them in the central bank, and the amount
22 so distributed shall be added to the corresponding surplus
23 and reserve of each regional bank subject to payment into
24 the Treasury as miscellaneous receipts upon liquidation or
25 dissolution of such regional bank. Any allocated surpluses

1 and allocated contingency reserves then remaining shall be
2 distributed as allocated on the books of the bank.”

3 SEC. 104. Section 31 of the Farm Credit Act of 1933 is
4 amended to read as follows:

5 “SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—
6 The Central Bank for Cooperatives shall have seven directors.
7 Of this number four shall be appointed by the Governor of
8 the Farm Credit Administration, by and with the advice and
9 consent of the Federal Farm Credit Board, and three shall
10 be elected by the regional banks for cooperatives and coop-
11 erative associations: *Provided*, That the terms of office of
12 directors established prior to the effective date of title I of
13 the Farm Credit Act of 1955 shall continue through the
14 thirty-first day of December next following the effective date
15 of said title I and shall expire at the end of that day. Three
16 of the directors appointed by the Farm Credit Administration
17 shall be appointed for terms of one year, two years, and three
18 years, respectively, as designated at the time of appointment
19 and the fourth appointed director shall be appointed for a
20 term of three years and thereafter each appointed director
21 shall be appointed for a term of three years. Any appointed
22 director may be removed at pleasure at any time by the Farm
23 Credit Administration. The Farm Credit Administration
24 shall prescribe rules and regulations for the nominations and
25 elections required by this section. Sufficiently in advance of

1 the first day of January next following the effective date of
2 title I of the Farm Credit Act of 1955, and at any time
3 subsequent to the enactment thereof, the Farm Credit Ad-
4 ministration shall take all action necessary in order to permit
5 the elections hereby provided and shall group the several
6 farm credit districts into three areas, each of which shall be
7 comprised of four contiguous farm credit districts, and a
8 director shall be elected from nominees from each of such
9 areas by regional banks for cooperatives of the area and
10 cooperative associations of the area eligible to vote. The
11 three elected directors shall be elected for terms of one year,
12 two years, and three years, respectively, as shall be desig-
13 nated by the Farm Credit Administration and thereafter
14 elected directors shall be elected for terms of three years:
15 *Provided*, That whenever, as determined by the Farm Credit
16 Administration, the sum of the capital stock and subscriptions
17 to the guaranty fund of the central bank held by persons
18 other than the Governor of the Farm Credit Administration
19 on behalf of the United States and surplus and reserve
20 accounts of said bank shall equal or exceed $66\frac{2}{3}$ per centum
21 of the total capital stock, subscriptions to the guaranty fund
22 and surplus and reserve accounts of said bank as of the date
23 three months before the expiration of the term of office of any
24 appointed director, except the fourth appointed director,
25 whose term next expires, the successor to such director shall

1 be elected from nominees for a term of three years by regional
2 banks for cooperatives of the area and cooperative associa-
3 tions of the area eligible to vote on a basis of areas comprised
4 of two contiguous farm credit districts as designated by the
5 Farm Credit Administration. Appointed directors except
6 the fourth appointed director shall continue to be replaced
7 by elected directors in accordance with the foregoing provi-
8 sions until the total number of elected directors shall
9 be six, elected one from each of six such areas com-
10 prised of two contiguous farm credit districts. Whenever.
11 as determined by the Farm Credit Administration.
12 the sum of the capital stock and subscriptions to
13 the guaranty fund of the central bank held by per-
14 sons other than the Governor of the Farm Credit Ad-
15 ministration on behalf of the United States and surplus
16 and reserve accounts of said bank shall not equal or exceed
17 $66\frac{2}{3}$ per centum of the total capital stock, subscriptions
18 to the guaranty fund and surplus and reserve accounts of
19 the bank as of the date three months before the expiration
20 of the term of office of any elected director whose term next
21 expires, the successor to such elected director shall, if the
22 number of elected directors then exceeds three, be appointed
23 by the Governor of the Farm Credit Administration by and
24 with the advice and consent of the Federal Farm Credit

1 Board for a term of three years. In any such case where
2 only one additional appointed director is needed in order to
3 increase the total number of appointed directors to four,
4 and the terms of office of more than one elected director
5 next expire, the Farm Credit Administration shall designate
6 the one of such next expiring terms of office which shall
7 be replaced by the additional appointed director. Any
8 vacancy in the Board whether filled by appointment or by
9 election shall be filled for the unexpired term in the same
10 manner in which the vacant office was filled. Each regional
11 bank for cooperatives, each cooperative association which is
12 a direct borrower from the central bank, each holder of one
13 or more shares of class C stock in a regional bank for
14 cooperatives which is eligible to vote under section 42 (a)
15 (3), and each holder of one or more shares of stock in the
16 central bank or any regional bank for cooperatives issued
17 before the effective date of title I of the Farm Credit Act
18 of 1955 which is eligible to vote shall be eligible to vote
19 for directors of the central bank and each such holder shall
20 be entitled to one vote only without regard to the number
21 of shares held in any one or more of said banks, and the
22 vote of any such holder of stock in more than one bank
23 shall be cast only with respect to elections in the area in
24 which is located the main office of such holder. Elected
25 directors shall have been, for at least two years, residents

1 of the area for which they are elected. No person shall be
2 eligible for nomination, election, or appointment as a director
3 if such person has within one year next preceding the com-
4 mencement of the term been a salaried officer or employee
5 of the Farm Credit Administration or of any corporation
6 operating under its supervision. Any person who is a mem-
7 ber of the Federal Farm Credit Board or a district farm
8 credit board when appointed or elected as director shall
9 resign as a member of the Federal Farm Credit Board or the
10 district board before assuming his duties as director of the
11 central bank. No person who becomes such director shall
12 be eligible to continue to serve if he becomes a member
13 of the Federal Farm Credit Board or any district farm credit
14 board or an officer or employee of the Farm Credit Admin-
15 istration or an officer or employee of any corporation
16 operating under the supervision of the Farm Credit
17 Administration.”

18 SEC. 105. Section 32 of the Farm Credit Act of 1933
19 is amended to read as follows:

20 “SEC. 32. POWERS OF BOARD OF DIRECTORS OF CEN-
21 TRAL BANK.—The Board of Directors of the Central Bank
22 for Cooperatives shall elect a Chairman and Vice Chairman
23 from among its members. The powers of the Board of
24 Directors shall be such powers as may be prescribed in the
25 charter and bylaws with the approval of the Farm Credit

1 Administration: *Provided*, That said Board without limita-
2 tion of powers conferred by section 60 shall have power,
3 subject to approval of the Farm Credit Administration, to
4 appoint and fix the compensation of the chief executive offi-
5 cer and such other officers and employees, experts, and con-
6 sultants as may be necessary for the efficient conduct of the
7 bank's business: *Provided further*, That the chief executive
8 officer of the bank shall not be an officer or employee of
9 the Farm Credit Administration."

10 SEC. 106. Section 38 of the Farm Credit Act of 1933
11 is amended by adding at the end of said section the following
12 new sentence: "After the effective date of title I of the
13 Farm Credit Act of 1955 any amendment in the terms of the
14 charter issued to any bank for cooperatives and any regu-
15 lation issued under authority of this section or otherwise
16 affecting lending operations of any such bank shall be con-
17 sistent with the principle that the central bank shall make
18 loans only in cases where it is not practicable for the loan
19 to be made by a regional bank."

20 SEC. 107. Section 41 of the Farm Credit Act of 1933,
21 as amended, is amended by adding a new paragraph as
22 follows:

23 "Notwithstanding any other provision of law, any
24 officer or employee of the Farm Credit Administration or of
25 any bank for cooperatives designated to act as custodian

1 of collateral securing loans made by any such bank to any
2 cooperative association eligible to borrow therefrom may, in
3 accordance with regulations of the Farm Credit Administra-
4 tion, act at the same time as custodian of collateral securing
5 loans made by any other lenders to any cooperative associa-
6 tion eligible to borrow from any such bank.”

7 SEC. 108. (a) Section 33 of the Farm Credit Act of
8 1933 is amended by striking the words “Chairman of the
9 Board” in the last sentence of said section and substituting
10 in lieu thereof the words “Board of Directors”.

11 (b) Section 34 of the Farm Credit Act of 1933, as
12 amended, is amended by striking the words “Chairman of its
13 Board of Directors” in the first paragraph of said section and
14 substituting in lieu thereof the words “Farm Credit
15 Administration”.

16 SEC. 109. Subsection (a) of section 8 of the Agricul-
17 tural Marketing Act, as amended, is amended to read as
18 follows:

19 “(a) Loans to cooperative associations made by any
20 bank for cooperatives shall bear such rates of interest as
21 the board of directors of the bank shall from time to time de-
22 termine with the approval of the Farm Credit Administra-
23 tion, but in no case shall the rate of interest exceed 6 per
24 centum per annum on the unpaid principal of a loan.”

1 SEC. 110. (a) Section 65 of the Farm Credit Act of
2 1933 is amended by striking the word “regional” in the first
3 sentence of said section.

4 (b) Section 66 of the Farm Credit Act of 1933, as
5 amended, is hereby repealed.

6 (c) The second sentence of section 7 (a) of the Farm
7 Credit Act of 1953 is hereby repealed.

8 (d) Section 6 of the Act approved January 23, 1932
9 (47 Stat. 14), is amended by adding immediately following
10 the comma after the word “Act” where it first appears the
11 following: “the Farm Credit Act of 1933”.

12 SEC. 111. This title shall be applicable to loans made
13 before its effective date from the date on which they may
14 be changed by agreement to conform hereto, otherwise, ex-
15 cept as provided in this title, such loans shall be treated
16 as though this title had not been enacted. Any cooperative
17 association owning capital stock or guaranty fund credits
18 in any bank for cooperatives issued before the effective date
19 of this title which is eligible to vote shall, as long as such
20 eligibility continues, be entitled to vote to the same extent
21 as a holder of class C stock which is eligible to vote; any
22 cooperative association owning such stock or guaranty fund
23 credits shall be entitled to have such stock or credits retired
24 as though this title had not been enacted; and any such
25 association may with the consent of the bank have such stock

1 or credits, if it is found eligible to own class B or class C
2 stock, converted in whole or in part into class B or class C
3 stock or equivalent guaranty fund credits: *Provided*, That
4 any bank for cooperatives with the approval of the Farm
5 Credit Administration may retire at any time capital stock
6 or guaranty fund credits issued before the effective date of
7 this title held by any cooperative association and may hold
8 the proceeds of such retired stock or guaranty fund credits as
9 security for any indebtedness of the association to the bank.

10 SEC. 112. This title shall take effect on the first day of
11 the month next following one hundred and twenty days after
12 its enactment.

13 TITLE II—PRODUCTION CREDIT SYSTEM

14 SEC. 201. Section 4 of the Farm Credit Act of 1933 is
15 amended to read as follows:

16 “SEC. 4. (a) CLASSES OF STOCK; AMOUNT; PAR
17 VALUE; OWNERSHIP; DIVIDENDS; PREFERENCE UPON
18 LIQUIDATION.—Each production credit corporation shall
19 have the following classes of stock, all of which shall have
20 a par value of \$100 per share:

21 “(1) Class A stock shall be issued to and held by the
22 Governor of the Farm Credit Administration on behalf of
23 the United States in exchange share for share for stock
24 of the respective production credit corporations held by the
25 Governor on the effective date of title II of the Farm Credit

1 Act of 1955. Class A stock shall be nonvoting and no divi-
2 dents shall be paid thereon. At the end of each fiscal year,
3 each of such corporations shall determine the amount of
4 class A stock that it shall retire, which shall not be less than
5 10 per centum of the amount of stock of the corporation
6 held by the Governor on behalf of the United States on
7 the effective date of title II of the Farm Credit Act of 1955:
8 *Provided*, That any amount retired in excess of such 10 per
9 centum in one year may be used to reduce to that extent
10 the amount of stock required to be retired in any subsequent
11 year. Funds from the retirement of class A stock shall be
12 paid into the revolving fund authorized by section 5 and
13 shall continue to be available for the purchase of class C
14 stock in accordance with paragraph (3) of this subsection.

15 “(2) Class B stock may be issued only to production
16 credit associations. Such stock shall be issued at par and
17 no dividends shall be paid on it. Each holder of class B
18 stock shall be entitled to one vote for each share of stock
19 held by it. Each production credit corporation shall from
20 time to time determine the amount of its class B stock which
21 shall be subscribed to and purchased by the production credit
22 associations of the district. The minimum amount of such
23 stock subscribed to and purchased by such associations shall
24 not be less than an amount computed as the sum of the
25 following: As to each association, 3 per centum of the

1 amount of its stock held by persons other than the corpora-
2 tion or \$5,000, whichever is the greater. The subscriptions
3 to such stock by the associations shall be allocated by the
4 corporation upon an equitable basis and the amounts of sub-
5 scriptions and purchases of such stock by the associations
6 may be adjusted annually: *Provided*, That such stock of a
7 corporation outstanding shall not be less than such minimum.
8 The stock ownership requirements of this subsection shall
9 also apply to any association organized after the effective
10 date of title II of the Farm Credit Act of 1955. In case of
11 liquidation or dissolution of any association, the stock of the
12 corporation owned by such association shall be canceled and
13 the association paid the par value of such stock.

14 “(3) Class C stock may be issued in amounts approved
15 by the Farm Credit Administration. The Governor of the
16 Farm Credit Administration may purchase class C stock
17 of any production credit corporation from time to time in
18 such amounts as he determines are required to meet the
19 credit needs of the district served by such corporation.
20 Payments for stock purchased by the Governor shall be
21 made out of the revolving fund authorized by section 5 and
22 such stock shall be held by him on behalf of the United
23 States. Class C stock shall be issued only at par and shall
24 be nonvoting. When declared by its board of directors and
25 approved by the Farm Credit Administration, any such

1 corporation may pay dividends on class C stock at a rate
2 not exceeding the average annual rate of interest on all
3 public issues of public debt obligations of the United States
4 issued during the fiscal year next before any such dividend
5 is so declared, as certified to the Farm Credit Administra-
6 tion by the Secretary of the Treasury. Dividends on class
7 C stock shall not be cumulative. After all class A stock
8 has been retired, class C stock may be called for retire-
9 ment at par in amounts approved by the Farm Credit
10 Administration.

11 “(4) In the case of liquidation or dissolution of any
12 production credit corporation, after the payment or retire-
13 ment, as the case may be, first, of all liabilities; second,
14 of all class A stock at par and all class C stock at par;
15 any sums remaining shall be paid pro rata to the holders
16 of outstanding class B stock.

17 “(b) PAYMENT OF EXPENSES OF PRODUCTION CREDIT
18 CORPORATIONS BY PRODUCTION CREDIT ASSOCIATIONS.—
19 Beginning on the effective date of title II of the Farm Credit
20 Act of 1955 expenses of each production credit corporation
21 shall be allocated in such manner and amounts as shall be
22 determined by the board of directors of the corporation and
23 shall be paid by the production credit associations of the
24 district: *Provided*, That such allocations shall be made
25 annually and shall be progressively increased in such man-

ner that no later than the tenth year after the effective date of title II of the Farm Credit Act of 1955 all expenses of the corporation not covered by income of the corporation shall be paid by such associations.

“(c) POSTPONEMENT OF STOCK RETIREMENT AND PAYMENT OF EXPENSES UNDER SPECIAL CIRCUMSTANCES.—Notwithstanding the foregoing provisions of this section—

“(1) the board of directors of a production credit corporation may, because of adverse conditions in the district, reduce the amount of class A stock to be retired during any year to the extent the board determines necessary in order to meet the credit needs of the district: *Provided*, That all class A stock of the corporation shall be retired on or before the end of the tenth year after the effective date of title II of the Farm Credit Act of 1955; and

“(2) the board of directors of a production credit corporation may, because of adverse conditions in the district, defer in whole or in part the amounts which otherwise would be paid by the production credit associations under subsection (b) of this section in any year to the extent the board determines necessary in order to enable the associations to provide adequate credit service to farmers at reasonable costs: *Provided*, That

1 after the thirteenth year following the effective date of
2 title II of the Farm Credit Act of 1955 all expenses of
3 the corporation not covered by income of the corpora-
4 tion shall be paid by such associations.

5 “(d) Any action by the board of directors of any pro-
6 duction credit corporation under the provisions of this sec-
7 tion shall be subject to the approval of the Farm Credit
8 Administration.”

9 SEC. 202. Section 21 of the Farm Credit Act of 1933
10 is amended by striking out of the fifth sentence the words
11 “All stock shall share in dividend distributions without
12 preference” and substituting therefor the words “Dividends
13 may be paid on class A and class B stock without preference
14 or on class A stock alone, as the board of directors of the
15 association may determine”.

16 SEC. 203. Section 22 of the Farm Credit Act of 1933 is
17 amended to read as follows:

18 “SEC. 22. (a) Each production credit association shall,
19 at the end of each fiscal year, apply the amount of its earn-
20 ings in excess of operating expenses (including provision for
21 reasonable valuation reserves) during such fiscal year, first,
22 to the restoration of the impairment, if any, of capital; and,
23 second, to the establishment and maintenance of a surplus
24 account, the minimum amount of which shall be prescribed
25 by the production credit corporation,

1 “(b) A production credit association may pay dividends
2 of not to exceed 7 per centum per annum when such pay-
3 ments are approved by the production credit corporation of
4 the district and are consistent with policies established under
5 regulations issued by the Farm Credit Administration.”

6 SEC. 204. The amounts in the guaranty fund reserve
7 and the reserve account for bad and doubtful debts of each
8 production credit association shall, as of the effective date of
9 this title, be transferred to the surplus account of such asso-
10 ciation established pursuant to the provisions of section 22
11 of the Farm Credit Act of 1933 as amended by section 203
12 of this title.

13 SEC. 205. Section 23 of the Farm Credit Act of 1933
14 is amended to read as follows:

15 “SEC. 23. Each production credit association shall, under
16 such rules and regulations as may be prescribed by the pro-
17 duction credit corporation of the district with the approval
18 of the Farm Credit Administration, invest its funds and make
19 loans to farmers for general agricultural purposes. Such
20 loans shall be made on such terms and conditions, at such
21 rates of interest, and with such security as may be prescribed
22 by the corporation. No borrower shall be indebted to the
23 association at any one time in an amount in excess of 15
24 per centum of the capital and surplus of the association un-
25 less the loan has the prior approval of the corporation, or in

1 excess of 35 per centum of the capital and surplus of the as-
2 sociation unless the loan also has the prior approval of the
3 Farm Credit Administration. Borrowers shall be required
4 to own, at the time the loan is made, class B stock of the
5 association in an amount equal in fair book value (not to
6 exceed par), as determined by the association, to \$5 per
7 \$100 or fraction thereof of the amount of the loan. Such
8 stock shall not be canceled or retired upon payment of the
9 loan but may be transferred or exchanged as provided in
10 section 21 of this Act.”

11 SEC. 206. The last sentence of section 63 of the Farm
12 Credit Act of 1933 is hereby amended to read as follows:
13 “The exemption provided herein shall not apply with respect
14 to any production credit association or its property or income
15 after the class A stock held in it by the production credit
16 corporation has been retired, or with respect to the Central
17 Bank for Cooperatives, or any production credit corpora-
18 tion or bank for cooperatives, or its property or income after
19 the stock held in it by the United States has been retired.”

20 SEC. 207. (a) The Government Corporation Control
21 Act is amended by deleting from section 101 the following:
22 “production credit corporations;”; by inserting “production
23 credit corporations, (4)” in section 201 immediately follow-
24 ing “(3)”; and by changing “(4)” to “(5)”.

25 (b) Section 3679 of the Revised Statutes, as amended,

1 is amended by striking the period at the end of subsection
2 (d) (2) of said section and adding in lieu thereof the
3 following: “, or to any production credit corporation organ-
4 ized pursuant to the Farm Credit Act of 1933.”.

5 (c) No appropriation Act shall apply to a production
6 credit corporation on and after the effective date of this title.

7 SEC. 208. This title shall become effective the first day
8 of the fiscal year next commencing after its enactment.

9 TITLE III—FEDERAL LAND BANK SYSTEM

10 SEC. 301. Sections 3, 7, and 8 of the Federal Farm
11 Loan Act, as amended, are amended—

12 (a) by changing next to the last paragraph of
13 section 3 to read as follows: “The Farm Credit Admin-
14 istration shall prescribe a form for the statement of con-
15 dition of national farm loan associations and land banks
16 under its supervision, which shall be filled out by each
17 such association or bank and transmitted to said admin-
18 istration as required by it.”;

19 (b) by changing the fifth sentence of the fourth
20 paragraph of section 7 to read as follows: “He shall
21 make a report to the Farm Credit Administration as
22 required by it upon forms to be provided for that
23 purpose.”; and

24 (c) by deleting the last sentence of section 8.

1 SEC. 302. The last paragraph of section 5 of the Federal
2 Farm Loan Act, as amended, is repealed.

3 SEC. 303. Section 10 of the Federal Farm Loan Act,
4 as amended, is amended by adding at the end thereof a
5 new paragraph as follows:

6 “Notwithstanding any other provision of this Act to the
7 contrary, subject to the approval of the Farm Credit Admin-
8 istration, the investigation and the written report or reports
9 on the value of the security offered for a Federal land bank
10 loan, which otherwise are required by this section to be made
11 by land bank appraisers appointed under the authority of
12 section 3 of this Act, may be made, in accordance with
13 appraisal standards prescribed by the Farm Credit Adminis-
14 tration, by any person (including a person who is secretary-
15 treasurer of a national farm loan association) designated so
16 to do by the Federal land bank of the district; a Federal
17 land bank is authorized to make a loan, if otherwise author-
18 ized, on the basis of such an investigation and report by a
19 person so designated; and a loan so made shall be eligible
20 as collateral for farm loan bonds under section 19 of this
21 Act, if otherwise qualified thereunder: *Provided*, That,
22 within one year, the land bank shall obtain a written report
23 on the security for the loan by a land bank appraiser
24 appointed under section 3 of this Act, in terms and form
25 prescribed by the Farm Credit Administration, and such a

1 loan shall be eligible as collateral for farm loan bonds there-
2 after only if such report by a land bank appraiser establishes
3 that the security meets the standards prescribed by the Farm
4 Credit Administration for a land bank loan, and in no event
5 shall any such loan thereafter be carried as such collateral
6 for bonds at more than 65 per centum of the normal value
7 of the security as determined by such land bank appraiser.
8 Except as otherwise specifically provided in this paragraph,
9 all provisions of this Act relating to loans made through
10 national farm loan associations shall, insofar as applicable,
11 apply with respect to loans made on such investigations and
12 written reports by such designated persons.”

13 SEC. 304. Section 12 of the Federal Farm Loan Act,
14 as amended, is amended—

15 (a) by changing paragraph “Fourth” to read as
16 follows: “Such loans may be made for general agricul-
17 tural purposes and other requirements of the owner of
18 the land mortgaged, under rules and regulations of the
19 Farm Credit Administration.”;

20 (b) by striking out the period at the end of the
21 second sentence of paragraph “Fifth” and adding the
22 following: “; and, consistent with community standards,
23 the appraisal may also reflect home advantages, and the
24 availability to a typical operator of the property of

1 earnings from other dependable sources to supplement
2 the normal earning power of the farm.”;

3 (c) by striking out “the raising of livestock”
4 wherever it appears in next to the last sentence of para-
5 graph “Sixth” and substituting therefor “farming opera-
6 tions” and by striking out of such sentence “Land Bank
7 Commissioner” and substituting therefor “Farm Credit
8 Administration”; and

9 (d) by striking out “\$100,000” from paragraph
10 “Seventh” and substituting therefore “\$200,000”, and
11 by striking out of such sentence “but loans to any one
12 borrower shall not exceed \$25,000 unless approved by
13 the Land Bank Commissioner.”.

14 SEC. 305. Paragraph “Nineteenth” of section 13 of the
15 Federal Farm Loan Act, as amended, is amended by adding
16 at the end thereof a new sentence as follows: “Such a
17 deferment may be permitted for other purposes for a period
18 not exceeding five years under regulations prescribed by the
19 Farm Credit Administration.”.

20 SEC. 306. (a) That part of section 23 of the Federal
21 Farm Loan Act, as amended, which precedes the last
22 paragraph, is amended to read as follows: “Every Federal
23 land bank shall semiannually carry to reserve account a

1 sum not less than 50 per centum of its net earnings until
2 said reserve account shall show a credit balance equal to
3 the outstanding capital stock of said land bank. After said
4 reserve is equal to the outstanding capital stock 10 per
5 centum of the net earnings shall be added thereto semi-
6 annually until said reserve account shall show a credit bal-
7 ance equal to 150 per centum of the outstanding capital stock
8 of said land bank, and any land bank having a credit balance
9 in said reserve account in excess of 150 per centum of its
10 outstanding capital stock may withdraw such excess from
11 said reserve account with the approval of the Farm Credit
12 Administration. Whenever said reserve shall have been
13 impaired it shall be fully restored before any dividends are
14 paid.

15 “After deducting the 50 per centum or the 10 per
16 centum hereinbefore directed to be deducted for credit to
17 reserve account, any Federal land bank may declare a
18 dividend or dividends to shareholders of the whole or any
19 part of the balance of its net earnings, but only with the
20 approval of the Farm Credit Administration.

21 “The reserves of land banks shall be invested in accord-
22 ance with rules and regulations prescribed by the Farm
23 Credit Administration.”

1 (b) The second sentence of section 24 of the Federal
2 Farm Loan Act, as amended, is amended by striking out the
3 period at the end thereof and adding the following: "until
4 said reserve account shall show a credit balance equal to 50
5 per centum of the outstanding capital stock of said associa-
6 tion, and any association having a credit balance in said re-
7 serve account in excess of 50 per centum of its outstanding
8 capital stock may withdraw such excess from said reserve
9 account with the approval of the Farm Credit Administra-
10 tion."

11 (c) The amendments made by (a) and (b) of this sec-
12 tion shall become effective on the next January 1 or July 1
13 whichever first succeeds enactment hereof.

14 SEC. 307. Section 601 (a) of the Department of Agri-
15 culture Organic Act of 1944 is amended by inserting after
16 "Federal land banks," the second time it appears therein,
17 "national farm loan associations,"; by striking out "joint-
18 stock land banks," wherever it appears therein; and by
19 striking out the period at the end thereof and inserting
20 " , except that the amounts apportioned to national farm
21 loan associations shall be assessed against and collected from
22 the Federal land bank of the district which may in turn col-
23 lect such amounts from the associations in a manner approved
24 by the Farm Credit Administration."

1 TITLE IV—MISCELLANEOUS PROVISIONS

2 SEC. 401. Section 5 (d) of the Farm Credit Act of
3 1937, as amended, is amended—

4 (a) by substituting “six months” for “three
5 months” wherever it occurs in paragraph (2) thereof;
6 and

7 (b) by adding at the end thereof a new paragraph
8 as follows:

9 “(4) As directed by the Farm Credit Administration,
10 the election of a director under section 5 (d) (2) by any
11 group may be begun any time within six months before
12 the expiration of the term of office to which the director
13 is to succeed, subject to the required determination being
14 made as of the date six months before the expiration of
15 such term of office that a director so elected by such group
16 is to serve in lieu of a district director (or third district
17 director).”

18 SEC. 402. Section 4 of the Farm Credit Act of 1953
19 is amended—

20 (a) by inserting in the first proviso in subsection
21 (a) “all persons so tied shall be considered designated
22 as nominees” in lieu of “the procedure prescribed therein
23 shall be followed again until the tie is broken”;

24 (b) by inserting before the period at the end of the

1 second sentence of subsection (b) “, except that one full
2 term of six years shall be considered to include an addi-
3 tional four months if the particular term is one which
4 was legally extended for an additional four months”;
5 and

6 (c) by adding the following additional sentence at
7 the end of subsection (c) : “All terms of office which
8 otherwise would expire on November 30 of any year
9 following enactment of this sentence are extended four
10 months to expire on the following March 31 so that the
11 term of office of all successors to the terms so extended
12 shall begin with the first day of April.”.

13 SEC. 403. (a) If any provision of this Act, or the appli-
14 cation thereof to any person or circumstance, is held invalid,
15 the remainder of the Act, and the application of such pro-
16 visions to other persons or circumstances, shall not be affected
17 thereby.

18 (b) The right to alter, amend, or repeal this Act is
19 hereby expressly reserved.

A BILL

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

By Mr. ELLENDER

MARCH 2, 1955

Read twice and referred to the Committee on
Agriculture and Forestry

84TH CONGRESS
1ST SESSION

H. R. 5168

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 1955

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1955".

5 TITLE I—BANKS FOR COOPERATIVES

6 SEC. 101. Section 42 of the Farm Credit Act of 1933,
7 as amended, is amended to read as follows:

8 "SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP;

1 VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF
2 STOCK.—Except as provided in section 111 of the Farm
3 Credit Act of 1955, each regional bank for cooperatives shall
4 have the following classes of stock, all of which shall have a
5 par value of \$100 per share:

6 “(1) Class A stock shall be issued to and held by the
7 Governor of the Farm Credit Administration on behalf of
8 the United States, and stock of such banks held by the
9 Governor on the effective date of title I of the Farm Credit
10 Act of 1955 shall be exchanged, share for share, for class
11 A stock of the respective banks. Class A stock shall be non-
12 voting and no dividends shall be paid thereon. At the end
13 of each fiscal year, each of such banks, subject to the pro-
14 visions of sections 33 and 40, shall determine the amount
15 of class A stock that shall be retired at par by that bank.
16 The minimum amount of class A stock that shall be retired
17 shall be the equivalent in dollar value of the amount of
18 class C stock issued for that year, except that class C stock
19 issued by a regional bank on account of class C stock issued
20 to it by the central bank, class C stock issued by a regional
21 bank in exchange for class B stock the proceeds of which
22 were used to retire an equivalent amount of class A stock,
23 and class C stock issued by a regional bank in exchange
24 for capital stock of the bank outstanding on the effective
25 date of title I of the Farm Credit Act of 1955, shall not

1 be included in such bank's calculation. Any amount of
2 class A stock retired in excess of such minimum amount in
3 one year may be used to reduce to that extent the amount
4 of such stock required to be retired in any subsequent year.
5 Funds from the retirement of class A stock shall be paid
6 into the revolving fund authorized by the Agricultural Mar-
7 keting Act, as amended, and shall continue to be available
8 for the purchase of class A stock in the banks in accordance
9 with sections 33 and 40.

10 “(2) Class B stock may be issued in series and amounts
11 approved by the Farm Credit Administration, and may be
12 sold or transferred to any person subject to the approval
13 of the issuing bank. Such stock shall be issued only at par
14 and shall be nonvoting. Any bank may pay dividends of
15 not to exceed 4 per centum per annum on class B stock
16 if declared by the board of directors and approved by the
17 Farm Credit Administration and if the surplus account of
18 the bank, after payment of such dividends, will not be less
19 than 25 per centum of the sum of all its outstanding capital
20 stock. Dividends on class B stock shall not be cumulative,
21 but no bank shall distribute in any year any of its net
22 savings as patronage refunds as provided in section 36 (a)
23 unless for that year a dividend of at least 2 per centum
24 is declared and paid upon outstanding class B stock of the
25 bank. Each series of class B stock shall be issued only

1 with the approval of the Farm Credit Administration and
2 shall carry on the face of each certificate a statement of
3 the maximum dividend which may be declared and paid
4 thereon and of the minimum dividend which shall be de-
5 clared and paid thereon before the bank may distribute
6 any of its net savings as patronage refunds: *Provided*,
7 That such maximum and minimum dividends may be the
8 same amount. After all class A stock has been retired,
9 class B stock may be called for retirement at par with the
10 approval of the Farm Credit Administration and shall be
11 called in such manner that the oldest outstanding stock at
12 any given time will be retired first. Any holder of class
13 B stock whose stock has been called for retirement may
14 elect, with the approval of the issuing bank, to leave his
15 stock in the bank subject to its being included in the next
16 call for retirement.

17 “(3) Class C stock, except as approved by the Farm
18 Credit Administration and consented to by the issuing bank,
19 may be issued only to banks for cooperatives and farmers’
20 cooperative associations as defined in section 15 (a) of the
21 Agricultural Marketing Act, as amended. Such stock may
22 be issued in fractional shares, shall be issued at its fair book
23 value not exceeding par, as determined by the bank, and no
24 dividends shall be paid on it. Each holder of one or more
25 shares of class C stock which is eligible to borrow from a

1 bank for cooperatives shall be entitled to one vote only:
2 *Provided*, That any such holder which within the period of
3 two years next preceding a date, fixed by the Farm Credit
4 Administration, prior to commencement of the voting has not
5 been a borrower from a bank of which it holds class C stock
6 shall not be entitled to vote. From time to time each bank
7 for cooperatives shall obtain information concerning its class
8 C stockholders to determine whether they continue to be
9 eligible to borrow from the bank and to vote. Any class C
10 stockholder found by the bank to be ineligible to borrow
11 shall not be entitled to vote until its eligibility is reestab-
12 lished to the satisfaction of the bank. Whenever in section
13 5 of the Farm Credit Act of 1937, as amended, and section 4
14 (a) of the Farm Credit Act of 1953, provision is made for a
15 nomination or election by cooperatives which are stock-
16 holders or subscribers to the guaranty fund of any bank for
17 cooperatives the term 'cooperatives which are stockholders
18 or subscribers to the guaranty fund' or the equivalent of that
19 term, shall mean such cooperatives which are eligible to vote.
20 Each borrower from a bank for cooperatives shall be required
21 to own at the time the loan is made at least one share of
22 class C stock. The purchase price of such stock may be
23 retained out of the loan. In addition, each borrower as
24 defined by the Farm Credit Administration for purposes of
25 this sentence, shall be required to invest quarterly in class

1 C stock an amount equal to not less than 10 nor more than
2 25 per centum, as prescribed by the board of directors of
3 the bank with the approval of the Farm Credit Administra-
4 tion, of the amount of interest payable by it to the bank
5 during the calendar quarter. Payments for such stock shall
6 be made quarterly or when the regular interest payments
7 of the borrower are payable, but the stock shall be issued
8 to the borrower as of the end of each fiscal year in the amount
9 of the payments for stock made by it during the year. Each
10 regional bank shall purchase at least one share of class C
11 stock of the central bank. In addition, the regional bank
12 shall be required to invest quarterly in class C stock of the
13 central bank an amount equal to not less than 10 nor more
14 than 25 per centum, as prescribed by the board of directors
15 of the central bank with the approval of the Farm Credit
16 Administration, of the amount of interest payable by the
17 regional bank to the central bank during the calendar quarter
18 by reason of any interest purchased by the central bank in
19 a loan made by the regional bank. Payments for such stock
20 shall be made to the central bank and the stock shall be
21 issued to the regional bank in the same manner, insofar as
22 practicable, as is provided in this section for payments for
23 and issuance of stock on account of loans by the regional
24 bank in which the central bank does not purchase any
25 interest. Subject to rules prescribed by the board of directors

1 of the lending bank with the approval of the Farm Credit
2 Administration, a borrower may convert class B stock into
3 class C stock for the purpose of making the investment in
4 class C stock required by this paragraph. After retirement
5 of all class A stock class C stock also may be retired at par
6 by calling the oldest outstanding class C stock but class C
7 stock that was issued for a fiscal year period shall not be
8 called for retirement until all class B stock that was issued
9 during or prior to that fiscal year has been called for
10 retirement.

11 “(b) GUARANTY FUND SUBSCRIPTIONS IN LIEU OF
12 STOCK.—If a cooperative association is not authorized under
13 the laws of the State in which it is organized to take stock
14 in the bank, the bank shall, in lieu thereof, require the asso-
15 ciation to pay into or have on deposit in a guaranty fund of
16 the bank, or the bank may retain out of the amount of the
17 loan and credit to the guaranty fund, a sum equal to the
18 amount of class C stock which the association would other-
19 wise be required by subsection (a) (3) of this section to
20 own at the time the loan is made and to purchase thereafter.
21 Any such association may make additional payments into
22 the guaranty fund from time to time in lieu of the purchase
23 of class B stock, and shall receive credits to such fund in
24 lieu of patronage refunds payable in class C stock. Each
25 reference in this Act to capital stock or class B or class C

1 stock shall include also the guaranty fund equivalents of
2 such stock, and, to the extent permitted under the laws of
3 a State in which a cooperative association is organized, a
4 holder of guaranty fund equivalents of either class B or class
5 C stock shall have the same rights and status as a holder of
6 class B or class C stock, respectively. The rights and obliga-
7 tions of the bank as respects such guaranty fund equivalents
8 shall be identical to its rights and obligations as respects class
9 B or class C stock, respectively.

10 “(c) LIEN ON STOCK.—Except as hereinafter provided
11 in the case of an association which is a direct borrower from
12 the central bank, each bank for cooperatives shall have a first
13 lien on all stock in the bank owned by each cooperative as-
14 sociation as additional collateral for any indebtedness of such
15 association to the bank. In the case of an association which
16 is a direct borrower from the central bank, the central bank
17 shall have a first lien on any amount of class C stock which
18 the borrowing association owns in any regional bank on ac-
19 count of direct loans of such association from the central
20 bank; and the regional bank shall have a lien on such stock
21 junior only to the lien of the central bank. In any case
22 where the debt of a borrower is in default, the bank may, in
23 accordance with regulations of the Farm Credit Administra-
24 tion, retire and cancel all or a part of the stock of the de-
25 faulting borrower at the fair book value thereof, not exceed-

ing par, in total or partial liquidation of the debt, as the case may be, and, to the extent required, corresponding shares held by a regional bank in the central bank shall be retired.

“(d) CALCULATION OF PROPORTIONATE INTERESTS IN BANKS.—For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term ‘capital stock and subscriptions to the guaranty fund held by cooperatives’ or the equivalent of that term shall also mean all outstanding class B and class C stock and the guaranty fund equivalents thereof.”

SEC. 102. Section 35 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

“SEC. 35. APPLICATION OF REGIONAL BANK STOCK PROVISIONS TO CENTRAL BANK.—All provisions of law with respect to class A, class B, and class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the central bank shall be required to own at the time the loan is made at least one share of class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in class C stock in such

1 regional bank or banks as the Farm Credit Administration
2 shall designate an amount equal to not less than 10 nor more
3 than 25 per centum, as prescribed by the board of directors
4 of the central bank with the approval of the Farm Credit
5 Administration, of the amount of interest payable by such
6 borrower to the central bank during the calendar quarter.
7 Payments for such stock shall be made quarterly or when
8 the regular interest payments of such borrower are payable;
9 but the stock shall be issued to the borrower as of the end
10 of each fiscal year in the amount of the payments for stock
11 made by it during such year. The regional bank whose
12 stock is so issued to such borrower shall purchase a corre-
13 sponding amount of class C stock in the central bank.”

14 SEC. 103. Section 36 of the Farm Credit Act of 1933,
15 as amended, is amended to read as follows:

16 “SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank
17 for cooperatives, at the end of each fiscal year, shall deter-
18 mine the amount of its net savings after paying or provid-
19 ing for all operating expenses (including reasonable valua-
20 tion reserves and losses in excess of any such applicable
21 reserves) and shall apply such savings as follows: (1) To
22 the restoration of the amount of the impairment, if any, of
23 capital stock, as determined by its board of directors; (2)
24 25 per centum of any remaining savings shall be used to
25 create and maintain a surplus account; (3) if said bank shall

1 have outstanding capital stock held by the United States
2 during the whole or any part of the fiscal year, it shall next
3 pay to the United States as a franchise tax, a sum equal to
4 25 per centum of its net savings then remaining, not exceed-
5 ing, however, a rate of return on such Government capital
6 calculated at a rate equal to the computed average annual
7 rate of interest on all public issues of public debt obligations
8 of the United States issued during the fiscal year ending
9 next before such tax is due, as certified to the Farm Credit
10 Administration by the Secretary of the Treasury; (4) reason-
11 able contingency reserves may be established; (5) dividends
12 on class B stock may be declared as provided in section 42
13 (a) (2); and (6) any remaining net savings shall be dis-
14 tributed as patronage refunds as provided in subsection (b)
15 of this section: *Provided*, That any patronage refunds re-
16 ceived by a regional bank from the central bank shall be
17 excluded from net savings of the regional bank for the pur-
18 pose of computing such franchise tax. Amounts applied as
19 provided in (2) and (4) above after the effective date of
20 title I of the Farm Credit Act of 1955 shall be allocated on
21 a patronage basis approved by the Farm Credit Adminis-
22 tration. At the end of any fiscal year, any portion of the
23 reserve established under (4) above which is no longer
24 deemed necessary shall be transferred to the surplus account
25 and, if the surplus account of any such bank for cooperatives

1 exceeds 25 per centum of the sum of all its outstanding cap-
2 ital stock, the bank may distribute in the same manner as a
3 patronage refund any part or all of such excess which has
4 been allocated. In making such distributions, the oldest
5 outstanding allocations shall be distributed first. Wherever
6 used in this Act, the words 'surplus account' as applied to
7 any bank for cooperatives shall mean any surpluses and con-
8 tingency reserves shown on the books of the banks as of the
9 effective date of title I of the Farm Credit Act of 1955 and
10 any amounts applied as provided in (2) above after the
11 effective date of said title I. Said surplus account shall be
12 divided to show the amounts thereof subject to allocation as
13 provided in this section and may be further subdivided as
14 prescribed by the Farm Credit Administration. In the event
15 of a net loss in any fiscal year after providing for all oper-
16 ating expenses (including reasonable valuation reserves and
17 losses in excess of any such applicable reserves), such loss
18 shall be absorbed by: first, charges to allocated contingency
19 reserves; second, charges to allocated surplus; third, charges
20 to other contingency reserves and surplus pro rata in accord-
21 ance with the second sentence of subsection (c) of this sec-
22 tion; fourth, the impairment of class C stock; and fifth, the
23 impairment of all other stock.

24 “(b) PATRONAGE REFUNDS.—The patronage refunds
25 of each regional bank for cooperatives shall be paid in

1 class C stock to borrowers, as defined by the Farm Credit
2 Administration for the purposes of this subsection, during
3 the fiscal year for which the refunds are declared. Patron-
4 age refunds of the Central Bank for Cooperatives shall be
5 paid in class C stock to the regional banks for cooperatives
6 upon the basis of interests held by the central bank in loans
7 made by the regional banks and upon direct loans made
8 by the central bank to cooperative associations; and any
9 part of such refunds derived from such direct loans of the
10 central bank shall be paid in class C stock issued to the
11 regional bank or banks which issued to the borrower the
12 stock incident to the loans, or to a regional bank or banks
13 designated by the Farm Credit Administration, and such
14 bank or banks shall issue a like amount of class C stock to
15 the borrowers. All patronage refunds shall be paid in the
16 proportion that the amount of interest earned on the loans
17 of each borrower bears to the total interest earned on the
18 loans of all borrowers during the fiscal year.

19 “(c) APPLICATION OF ASSETS ON LIQUIDATION OR
20 DISSOLUTION.—In the case of liquidation or dissolution of
21 any bank for cooperatives, after the payment or retirement,
22 as the case may be, first, of all liabilities; second, of all capital
23 stock issued before the effective date of title I of the Farm
24 Credit Act of 1955 held by cooperative associations at par,
25 all class A stock at par, and all class B stock at par; and

1 third, of all class C stock at par; any surpluses and con-
2 tingency reserves then remaining shall be distributed as pro-
3 vided in this subsection. If necessary in absorbing losses,
4 allocated contingency reserves and allocated surpluses shall
5 be exhausted first in accordance with rules prescribed by
6 the Farm Credit Administration and other contingency re-
7 serves and surpluses shall be used pro rata. Any surpluses
8 and contingency reserves which were on hand as of the
9 effective date of said title I, shall be apportioned on the basis
10 of stock ownership in the bank on such date and that part
11 of such surpluses and reserves so apportioned to stock owned
12 by the United States, shall be paid into the Treasury as
13 miscellaneous receipts and that part of such surpluses and
14 reserves so apportioned to stock owned by all others shall
15 be paid to the holders of outstanding stock issued before
16 the effective date of said title I and class C stock pro rata:
17 *Provided*, That if the central bank is liquidated or dissolved
18 before the regional banks, that part of such surpluses and
19 reserves so apportioned to stock owned by the United States
20 shall be distributed to the regional banks on the basis of
21 stock held by them in the central bank, and the amount
22 so distributed shall be added to the corresponding surplus
23 and reserve of each regional bank subject to payment into
24 the Treasury as miscellaneous receipts upon liquidation or
25 dissolution of such regional bank. Any allocated surpluses

1 and allocated contingency reserves then remaining shall be
2 distributed as allocated on the books of the bank.”

3 SEC. 104. Section 31 of the Farm Credit Act of 1933 is
4 amended to read as follows:

5 “SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—
6 The Central Bank for Cooperatives shall have seven directors.
7 Of this number four shall be appointed by the Governor of
8 the Farm Credit Administration, by and with the advice and
9 consent of the Federal Farm Credit Board, and three shall
10 be elected by the regional banks for cooperatives and coop-
11 erative associations: *Provided*, That the terms of office of
12 directors established prior to the effective date of title I of
13 the Farm Credit Act of 1955 shall continue through the
14 thirty-first day of December next following the effective date
15 of said title I and shall expire at the end of that day. Three
16 of the directors appointed by the Farm Credit Administration
17 shall be appointed for terms of one year, two years, and three
18 years, respectively, as designated at the time of appointment
19 and the fourth appointed director shall be appointed for a
20 term of three years and thereafter each appointed director
21 shall be appointed for a term of three years. Any appointed
22 director may be removed at pleasure at any time by the Farm
23 Credit Administration. The Farm Credit Administration
24 shall prescribe rules and regulations for the nominations and
25 elections required by this section. Sufficiently in advance of

1 the first day of January next following the effective date of
2 title I of the Farm Credit Act of 1955, and at any time
3 subsequent to the enactment thereof, the Farm Credit Ad-
4 ministration shall take all action necessary in order to permit
5 the elections hereby provided and shall group the several
6 farm credit districts into three areas, each of which shall be
7 comprised of four contiguous farm credit districts, and a
8 director shall be elected from nominees from each of such
9 areas by regional banks for cooperatives of the area and
10 cooperative associations of the area eligible to vote. The
11 three elected directors shall be elected for terms of one year,
12 two years, and three years, respectively, as shall be desig-
13 nated by the Farm Credit Administration and thereafter
14 elected directors shall be elected for terms of three years:
15 *Provided*, That whenever, as determined by the Farm Credit
16 Administration, the sum of the capital stock and subscriptions
17 to the guaranty fund of the central bank held by persons
18 other than the Governor of the Farm Credit Administration
19 on behalf of the United States and surplus and reserve
20 accounts of said bank shall equal or exceed $66\frac{2}{3}$ per centum
21 of the total capital stock, subscriptions to the guaranty fund
22 and surplus and reserve accounts of said bank as of the date
23 three months before the expiration of the term of office of any
24 appointed director, except the fourth appointed director,
25 whose term next expires, the successor to such director shall

1 be elected from nominees for a term of three years by regional
2 banks for cooperatives of the area and cooperative associa-
3 tions of the area eligible to vote on a basis of areas comprised
4 of two contiguous farm credit districts as designated by the
5 Farm Credit Administration. Appointed directors except
6 the fourth appointed director shall continue to be replaced
7 by elected directors in accordance with the foregoing provi-
8 sions until the total number of elected directors shall
9 be six, elected one from each of six such areas com-
10 prised of two contiguous farm credit districts. Whenever,
11 as determined by the Farm Credit Administration,
12 the sum of the capital stock and subscriptions to
13 the guaranty fund of the central bank held by per-
14 sons other than the Governor of the Farm Credit Ad-
15 ministration on behalf of the United States and surplus
16 and reserve accounts of said bank shall not equal or exceed
17 $66\frac{2}{3}$ per centum of the total capital stock, subscriptions
18 to the guaranty fund and surplus and reserve accounts of
19 the bank as of the date three months before the expiration
20 of the term of office of any elected director whose term next
21 expires, the successor to such elected director shall, if the
22 number of elected directors then exceeds three, be appointed
23 by the Governor of the Farm Credit Administration by and
24 with the advice and consent of the Federal Farm Credit

1 Board for a term of three years. In any such case where
2 only one additional appointed director is needed in order to
3 increase the total number of appointed directors to four,
4 and the terms of office of more than one elected director
5 next expire, the Farm Credit Administration shall designate
6 the one of such next expiring terms of office which shall
7 be replaced by the additional appointed director. Any
8 vacancy in the Board whether filled by appointment or by
9 election shall be filled for the unexpired term in the same
10 manner in which the vacant office was filled. Each regional
11 bank for cooperatives, each cooperative association which is
12 a direct borrower from the central bank, each holder of one
13 or more shares of class C stock in a regional bank for
14 cooperatives which is eligible to vote under section 42 (a)
15 (3), and each holder of one or more shares of stock in the
16 central bank or any regional bank for cooperatives issued
17 before the effective date of title I of the Farm Credit Act
18 of 1955 which is eligible to vote shall be eligible to vote
19 for directors of the central bank and each such holder shall
20 be entitled to one vote only without regard to the number
21 of shares held in any one or more of said banks, and the
22 vote of any such holder of stock in more than one bank
23 shall be cast only with respect to elections in the area in
24 which is located the main office of such holder. Elected
25 directors shall have been, for at least two years, residents

1 of the area for which they are elected. No person shall be
2 eligible for nomination, election, or appointment as a director
3 if such person has within one year next preceding the com-
4 mencement of the term been a salaried officer or employee
5 of the Farm Credit Administration or of any corporation
6 operating under its supervision. Any person who is a mem-
7 ber of the Federal Farm Credit Board or a district farm
8 credit board when appointed or elected as director shall
9 resign as a member of the Federal Farm Credit Board or the
10 district board before assuming his duties as director of the
11 central bank. No person who becomes such director shall
12 be eligible to continue to serve if he becomes a member
13 of the Federal Farm Credit Board or any district farm credit
14 board or an officer or employee of the Farm Credit Admin-
15 istration or an officer or employee of any corporation
16 operating under the supervision of the Farm Credit
17 Administration.”

18 SEC. 105. Section 32 of the Farm Credit Act of 1933
19 is amended to read as follows:

20 “SEC. 32. POWERS OF BOARD OF DIRECTORS OF CEN-
21 TRAL BANK.—The Board of Directors of the Central Bank
22 for Cooperatives shall elect a Chairman and Vice Chairman
23 from among its members. The powers of the Board of
24 Directors shall be such powers as may be prescribed in the
25 charter and bylaws with the approval of the Farm Credit

1 Administration: *Provided*, That said Board without limita-
2 tion of powers conferred by section 60 shall have power,
3 subject to approval of the Farm Credit Administration, to
4 appoint and fix the compensation of the chief executive offi-
5 cer and such other officers and employees, experts, and con-
6 sultants as may be necessary for the efficient conduct of the
7 bank's business: *Provided further*, That the chief executive
8 officer of the bank shall not be an officer or employee of
9 the Farm Credit Administration."

10 SEC. 106. Section 38 of the Farm Credit Act of 1933
11 is amended by adding at the end of said section the following
12 new sentence: "After the effective date of title I of the
13 Farm Credit Act of 1955 any amendment in the terms of the
14 charter issued to any bank for cooperatives and any regu-
15 lation issued under authority of this section or otherwise
16 affecting lending operations of any such bank shall be con-
17 sistent with the principle that the central bank shall make
18 loans only in cases where it is not practicable for the loan
19 to be made by a regional bank."

20 SEC. 107. Section 41 of the Farm Credit Act of 1933,
21 as amended, is amended by adding a new paragraph as
22 follows:

23 "Notwithstanding any other provision of law, any
24 officer or employee of the Farm Credit Administration or of
25 any bank for cooperatives designated to act as custodian

1 of collateral securing loans made by any such bank to any
2 cooperative association eligible to borrow therefrom may, in
3 accordance with regulations of the Farm Credit Administra-
4 tion, act at the same time as custodian of collateral securing
5 loans made by any other lenders to any cooperative associa-
6 tion eligible to borrow from any such bank.”

7 SEC. 108. (a) Section 33 of the Farm Credit Act of
8 1933 is amended by striking the words “Chairman of the
9 Board” in the last sentence of said section and substituting
10 in lieu thereof the words “Board of Directors”.

11 (b) Section 34 of the Farm Credit Act of 1933, as
12 amended, is amended by striking the words “Chairman of its
13 Board of Directors” in the first paragraph of said section and
14 substituting in lieu thereof the words “Farm Credit
15 Administration”.

16 SEC. 109. Subsection (a) of section 8 of the Agricul-
17 tural Marketing Act, as amended, is amended to read as
18 follows:

19 “(a) Loans to cooperative associations made by any
20 bank for cooperatives shall bear such rates of interest as
21 the board of directors of the bank shall from time to time de-
22 termine with the approval of the Farm Credit Administra-
23 tion, but in no case shall the rate of interest exceed 6 per
24 centum per annum on the unpaid principal of a loan.”

1 SEC. 110. (a) Section 65 of the Farm Credit Act of
2 1933 is amended by striking the word “regional” in the first
3 sentence of said section.

4 (b) Section 66 of the Farm Credit Act of 1933, as
5 amended, is hereby repealed.

6 (c) The second sentence of section 7 (a) of the Farm
7 Credit Act of 1953 is hereby repealed.

8 (d) Section 6 of the Act approved January 23, 1932
9 (47 Stat. 14), is amended by adding immediately following
10 the comma after the word “Act” where it first appears the
11 following: “the Farm Credit Act of 1933”.

12 SEC. 111. This title shall be applicable to loans made
13 before its effective date from the date on which they may
14 be changed by agreement to conform hereto, otherwise, ex-
15 cept as provided in this title, such loans shall be treated
16 as though this title had not been enacted. Any cooperative
17 association owning capital stock or guaranty fund credits
18 in any bank for cooperatives issued before the effective date
19 of this title which is eligible to vote shall, as long as such
20 eligibility continues, be entitled to vote to the same extent
21 as a holder of class C stock which is eligible to vote; any
22 cooperative association owning such stock or guaranty fund
23 credits shall be entitled to have such stock or credits retired
24 as though this title had not been enacted; and any such
25 association may with the consent of the bank have such stock

1 or credits, if it is found eligible to own class B or class C
2 stock, converted in whole or in part into class B or class C
3 stock or equivalent guaranty fund credits: *Provided*, That
4 any bank for cooperatives with the approval of the Farm
5 Credit Administration may retire at any time capital stock
6 or guaranty fund credits issued before the effective date of
7 this title held by any cooperative association and may hold
8 the proceeds of such retired stock or guaranty fund credits as
9 security for any indebtedness of the association to the bank.

10 SEC. 112. This title shall take effect on the first day of
11 the month next following one hundred and twenty days after
12 its enactment.

13 TITLE II—PRODUCTION CREDIT SYSTEM

14 SEC. 201. Section 4 of the Farm Credit Act of 1933 is
15 amended to read as follows:

16 “SEC. 4. (a) CLASSES OF STOCK; AMOUNT; PAR
17 VALUE; OWNERSHIP; DIVIDENDS; PREFERENCE UPON
18 LIQUIDATION.—Each production credit corporation shall
19 have the following classes of stock, all of which shall have
20 a par value of \$100 per share:

21 “(1) Class A stock shall be issued to and held by the
22 Governor of the Farm Credit Administration on behalf of
23 the United States in exchange share for share for stock
24 of the respective production credit corporations held by the
25 Governor on the effective date of title II of the Farm Credit

1 Act of 1955. Class A stock shall be nonvoting and no divi-
2 dents shall be paid thereon. At the end of each fiscal year,
3 each of such corporations shall determine the amount of
4 class A stock that it shall retire, which shall not be less than
5 10 per centum of the amount of stock of the corporation
6 held by the Governor on behalf of the United States on
7 the effective date of title II of the Farm Credit Act of 1955:
8 *Provided*, That any amount retired in excess of such 10 per
9 centum in one year may be used to reduce to that extent
10 the amount of stock required to be retired in any subsequent
11 year. Funds from the retirement of class A stock shall be
12 paid into the revolving fund authorized by section 5 and
13 shall continue to be available for the purchase of class C
14 stock in accordance with paragraph (3) of this subsection.

15 “(2) Class B stock may be issued only to production
16 credit associations. Such stock shall be issued at par and
17 no dividends shall be paid on it. Each holder of class B
18 stock shall be entitled to one vote for each share of stock
19 held by it. Each production credit corporation shall from
20 time to time determine the amount of its class B stock which
21 shall be subscribed to and purchased by the production credit
22 associations of the district. The minimum amount of such
23 stock subscribed to and purchased by such associations shall
24 not be less than an amount computed as the sum of the
25 following: As to each association, 3 per centum of the

1 amount of its stock held by persons other than the corpora-
2 tion or \$5,000, whichever is the greater. The subscriptions
3 to such stock by the associations shall be allocated by the
4 corporation upon an equitable basis and the amounts of sub-
5 scriptions and purchases of such stock by the associations
6 may be adjusted annually: *Provided*, That such stock of a
7 corporation outstanding shall not be less than such minimum.
8 The stock ownership requirements of this subsection shall
9 also apply to any association organized after the effective
10 date of title II of the Farm Credit Act of 1955. In case of
11 liquidation or dissolution of any association, the stock of the
12 corporation owned by such association shall be canceled and
13 the association paid the par value of such stock.

14 “(3) Class C stock may be issued in amounts approved
15 by the Farm Credit Administration. The Governor of the
16 Farm Credit Administration may purchase class C stock
17 of any production credit corporation from time to time in
18 such amounts as he determines are required to meet the
19 credit needs of the district served by such corporation.
20 Payments for stock purchased by the Governor shall be
21 made out of the revolving fund authorized by section 5 and
22 such stock shall be held by him on behalf of the United
23 States. Class C stock shall be issued only at par and shall
24 be nonvoting. When declared by its board of directors and
25 approved by the Farm Credit Administration, any such

1 corporation may pay dividends on class C stock at a rate
2 not exceeding the average annual rate of interest on all
3 public issues of public debt obligations of the United States
4 issued during the fiscal year next before any such dividend
5 is so declared, as certified to the Farm Credit Administra-
6 tion by the Secretary of the Treasury. Dividends on class
7 C stock shall not be cumulative. After all class A stock
8 has been retired, class C stock may be called for retire-
9 ment at par in amounts approved by the Farm Credit
10 Administration.

11 “(4) In the case of liquidation or dissolution of any
12 production credit corporation, after the payment or retire-
13 ment, as the case may be, first, of all liabilities; second,
14 of all class A stock at par and all class C stock at par;
15 any sums remaining shall be paid pro rata to the holders
16 of outstanding class B stock.

17 “(b) PAYMENT OF EXPENSES OF PRODUCTION CREDIT
18 CORPORATIONS BY PRODUCTION CREDIT ASSOCIATIONS.—
19 Beginning on the effective date of title II of the Farm Credit
20 Act of 1955 expenses of each production credit corporation
21 shall be allocated in such manner and amounts as shall be
22 determined by the board of directors of the corporation and
23 shall be paid by the production credit associations of the
24 district: *Provided*, That such allocations shall be made
25 annually and shall be progressively increased in such man-

ner that no later than the tenth year after the effective date of title II of the Farm Credit Act of 1955 all expenses of the corporation not covered by income of the corporation shall be paid by such associations.

“(c) POSTPONEMENT OF STOCK RETIREMENT AND PAYMENT OF EXPENSES UNDER SPECIAL CIRCUMSTANCES.—Notwithstanding the foregoing provisions of this section—

“(1) the board of directors of a production credit corporation may, because of adverse conditions in the district, reduce the amount of class A stock to be retired during any year to the extent the board determines necessary in order to meet the credit needs of the district: *Provided*, That all class A stock of the corporation shall be retired on or before the end of the tenth year after the effective date of title II of the Farm Credit Act of 1955; and

“(2) the board of directors of a production credit corporation may, because of adverse conditions in the district, defer in whole or in part the amounts which otherwise would be paid by the production credit associations under subsection (b) of this section in any year to the extent the board determines necessary in order to enable the associations to provide adequate credit service to farmers at reasonable costs: *Provided*, That

1 after the thirteenth year following the effective date of
2 title II of the Farm Credit Act of 1955 all expenses of
3 the corporation not covered by income of the corpora-
4 tion shall be paid by such associations.

5 “(d) Any action by the board of directors of any pro-
6 duction credit corporation under the provisions of this sec-
7 tion shall be subject to the approval of the Farm Credit
8 Administration.”

9 SEC. 202. Section 21 of the Farm Credit Act of 1933
10 is amended by striking out of the fifth sentence the words
11 “All stock shall share in dividend distributions without
12 preference” and substituting therefor the words “Dividends
13 may be paid on class A and class B stock without preference
14 or on class A stock alone, as the board of directors of the
15 association may determine”.

16 SEC. 203. Section 22 of the Farm Credit Act of 1933 is
17 amended to read as follows:

18 “SEC. 22. (a) Each production credit association shall,
19 at the end of each fiscal year, apply the amount of its earn-
20 ings in excess of operating expenses (including provision for
21 reasonable valuation reserves) during such fiscal year, first,
22 to the restoration of the impairment, if any, of capital; and,
23 second, to the establishment and maintenance of a surplus
24 account, the minimum amount of which shall be prescribed
25 by the production credit corporation.

1 “(b) A production credit association may pay dividends
2 of not to exceed 7 per centum per annum when such pay-
3 ments are approved by the production credit corporation of
4 the district and are consistent with policies established under
5 regulations issued by the Farm Credit Administration.”

6 SEC. 204. The amounts in the guaranty fund reserve
7 and the reserve account for bad and doubtful debts of each
8 production credit association shall, as of the effective date of
9 this title, be transferred to the surplus account of such asso-
10 ciation established pursuant to the provisions of section 22
11 of the Farm Credit Act of 1933 as amended by section 203
12 of this title.

13 SEC. 205. Section 23 of the Farm Credit Act of 1933
14 is amended to read as follows:

15 “SEC. 23. Each production credit association shall, under
16 such rules and regulations as may be prescribed by the pro-
17 duction credit corporation of the district with the approval
18 of the Farm Credit Administration, invest its funds and make
19 loans to farmers for general agricultural purposes. Such
20 loans shall be made on such terms and conditions, at such
21 rates of interest, and with such security as may be prescribed
22 by the corporation. No borrower shall be indebted to the
23 association at any one time in an amount in excess of 15
24 per centum of the capital and surplus of the association un-
25 less the loan has the prior approval of the corporation, or in

1 excess of 35 per centum of the capital and surplus of the as-
2 sociation unless the loan also has the prior approval of the
3 Farm Credit Administration. Borrowers shall be required
4 to own, at the time the loan is made, class B stock of the
5 association in an amount equal in fair book value (not to
6 exceed par), as determined by the association, to \$5 per
7 \$100 or fraction thereof of the amount of the loan. Such
8 stock shall not be canceled or retired upon payment of the
9 loan but may be transferred or exchanged as provided in
10 section 21 of this Act.”

11 SEC. 206. The last sentence of section 63 of the Farm
12 Credit Act of 1933 is hereby amended to read as follows:
13 “The exemption provided herein shall not apply with respect
14 to any production credit association or its property or income
15 after the class A stock held in it by the production credit
16 corporation has been retired, or with respect to the Central
17 Bank for Cooperatives, or any production credit corpora-
18 tion or bank for cooperatives, or its property or income after
19 the stock held in it by the United States has been retired.”

20 SEC. 207. (a) The Government Corporation Control
21 Act is amended by deleting from section 101 the following:
22 “production credit corporations;”; by inserting “production
23 credit corporations, (4)” in section 201 immediately follow-
24 ing “(3)”; and by changing “(4)” to “(5)”.

25 (b) Section 3679 of the Revised Statutes, as amended,

1 is amended by striking the period at the end of subsection
2 (d) (2) of said section and adding in lieu thereof the
3 following: “, or to any production credit corporation organ-
4 ized pursuant to the Farm Credit Act of 1933.”.

5 (c) No appropriation Act shall apply to a production
6 credit corporation on and after the effective date of this title.

7 SEC. 208. This title shall become effective the first day
8 of the fiscal year next commencing after its enactment.

9 TITLE III—FEDERAL LAND BANK SYSTEM

10 SEC. 301. Sections 3, 7, and 8 of the Federal Farm
11 Loan Act, as amended, are amended—

12 (a) by changing next to the last paragraph of
13 section 3 to read as follows: “The Farm Credit Admin-
14 istration shall prescribe a form for the statement of con-
15 dition of national farm loan associations and land banks
16 under its supervision, which shall be filled out by each
17 such association or bank and transmitted to said admin-
18 istration as required by it.”;

19 (b) by changing the fifth sentence of the fourth
20 paragraph of section 7 to read as follows: “He shall
21 make a report to the Farm Credit Administration as
22 required by it upon forms to be provided for that
23 purpose.”; and

24 (c) by deleting the last sentence of section 8.

1 SEC. 302. The last paragraph of section 5 of the Federal
2 Farm Loan Act, as amended, is repealed.

3 SEC. 303. Section 10 of the Federal Farm Loan Act,
4 as amended, is amended by adding at the end thereof a
5 new paragraph as follows:

6 “Notwithstanding any other provision of this Act to the
7 contrary, subject to the approval of the Farm Credit Admin-
8 istration, the investigation and the written report or reports
9 on the value of the security offered for a Federal land bank
10 loan, which otherwise are required by this section to be made
11 by land bank appraisers appointed under the authority of
12 section 3 of this Act, may be made, in accordance with
13 appraisal standards prescribed by the Farm Credit Adminis-
14 tration, by any person (including a person who is secretary-
15 treasurer of a national farm loan association) designated so
16 to do by the Federal land bank of the district; a Federal
17 land bank is authorized to make a loan, if otherwise author-
18 ized, on the basis of such an investigation and report by a
19 person so designated; and a loan so made shall be eligible
20 as collateral for farm loan bonds under section 19 of this
21 Act, if otherwise qualified thereunder: *Provided, That,*
22 within one year, the land bank shall obtain a written report
23 on the security for the loan by a land bank appraiser
24 appointed under section 3 of this Act, in terms and form
25 prescribed by the Farm Credit Administration, and such a

1 loan shall be eligible as collateral for farm loan bonds there-
2 after only if such report by a land bank appraiser establishes
3 that the security meets the standards prescribed by the Farm
4 Credit Administration for a land bank loan, and in no event
5 shall any such loan thereafter be carried as such collateral
6 for bonds at more than 65 per centum of the normal value
7 of the security as determined by such land bank appraiser.
8 Except as otherwise specifically provided in this paragraph,
9 all provisions of this Act relating to loans made through
10 national farm loan associations shall, insofar as applicable,
11 apply with respect to loans made on such investigations and
12 written reports by such designated persons.”

13 SEC. 304. Section 12 of the Federal Farm Loan Act,
14 as amended, is amended—

15 (a) by changing paragraph “Fourth” to read as
16 follows: “Such loans may be made for general agricul-
17 tural purposes and other requirements of the owner of
18 the land mortgaged, under rules and regulations of the
19 Farm Credit Administration.”;

20 (b) by striking out the period at the end of the
21 second sentence of paragraph “Fifth” and adding the
22 following: “; and, consistent with community standards,
23 the appraisal may also reflect home advantages, and the
24 availability to a typical operator of the property of

1 earnings from other dependable sources to supplement
2 the normal earning power of the farm.”;

3 (c) by striking out “the raising of livestock”
4 wherever it appears in next to the last sentence of para-
5 graph “Sixth” and substituting therefor “farming opera-
6 tions” and by striking out of such sentence “Land Bank
7 Commissioner” and substituting therefor “Farm Credit
8 Administration”; and

9 (d) by striking out “\$100,000” from paragraph
10 “Seventh” and substituting therefore “\$200,000”, and
11 by striking out of such sentence “but loans to any one
12 borrower shall not exceed \$25,000 unless approved by
13 the Land Bank Commissioner,”.

14 SEC. 305. Paragraph “Nineteenth” of section 13 of the
15 Federal Farm Loan Act, as amended, is amended by adding
16 at the end thereof a new sentence as follows: “Such a
17 deferment may be permitted for other purposes for a period
18 not exceeding five years under regulations prescribed by the
19 Farm Credit Administration.”.

20 SEC. 306. (a) That part of section 23 of the Federal
21 Farm Loan Act, as amended, which precedes the last
22 paragraph, is amended to read as follows: “Every Federal
23 land bank shall semiannually carry to reserve account a

1 sum not less than 50 per centum of its net earnings until
2 said reserve account shall show a credit balance equal to
3 the outstanding capital stock of said land bank. After said
4 reserve is equal to the outstanding capital stock 10 per
5 centum of the net earnings shall be added thereto semi-
6 annually until said reserve account shall show a credit bal-
7 ance equal to 150 per centum of the outstanding capital stock
8 of said land bank, and any land bank having a credit balance
9 in said reserve account in excess of 150 per centum of its
10 outstanding capital stock may withdraw such excess from
11 said reserve account with the approval of the Farm Credit
12 Administration. Whenever said reserve shall have been
13 impaired it shall be fully restored before any dividends are
14 paid.

15 “After deducting the 50 per centum or the 10 per
16 centum hereinbefore directed to be deducted for credit to
17 reserve account, any Federal land bank may declare a
18 dividend or dividends to shareholders of the whole or any
19 part of the balance of its net earnings, but only with the
20 approval of the Farm Credit Administration.

21 “The reserves of land banks shall be invested in accord-
22 ance with rules and regulations prescribed by the Farm
23 Credit Administration.”

1 (b) The second sentence of section 24 of the Federal
2 Farm Loan Act, as amended, is amended by striking out the
3 period at the end thereof and adding the following: “until
4 said reserve account shall show a credit balance equal to 50
5 per centum of the outstanding capital stock of said associa-
6 tion, and any association having a credit balance in said re-
7 serve account in excess of 50 per centum of its outstanding
8 capital stock may withdraw such excess from said reserve
9 account with the approval of the Farm Credit Administra-
10 tion.”.

11 (c) The amendments made by (a) and (b) of this sec-
12 tion shall become effective on the next January 1 or July 1
13 whichever first succeeds enactment hereof.

14 SEC. 307. Section 601 (a) of the Department of Agri-
15 culture Organic Act of 1944 is amended by inserting after
16 “Federal land banks,” the second time it appears therein,
17 “national farm loan associations,”; by striking out “joint-
18 stock land banks,” wherever it appears therein; and by
19 striking out the period at the end thereof and inserting
20 “, except that the amounts apportioned to national farm
21 loan associations shall be assessed against and collected from
22 the Federal land bank of the district which may in turn col-
23 lect such amounts from the associations in a manner approved
24 by the Farm Credit Administration.”.

1 TITLE IV—MISCELLANEOUS PROVISIONS

2 SEC. 401. Section 5 (d) of the Farm Credit Act of
3 1937, as amended, is amended—

4 (a) by substituting “six months” for “three
5 months” wherever it occurs in paragraph (2) thereof;
6 and

7 (b) by adding at the end thereof a new paragraph
8 as follows:

9 “(4) As directed by the Farm Credit Administration,
10 the election of a director under section 5 (d) (2) by any
11 group may be begun any time within six months before
12 the expiration of the term of office to which the director
13 is to succeed, subject to the required determination being
14 made as of the date six months before the expiration of
15 such term of office that a director so elected by such group
16 is to serve in lieu of a district director (or third district
17 director).”

18 SEC. 402. Section 4 of the Farm Credit Act of 1953
19 is amended—

20 (a) by inserting in the first proviso in subsection

21 (a) “all persons so tied shall be considered designated
22 as nominees” in lieu of “the procedure prescribed therein
23 shall be followed again until the tie is broken”;

24 (b) by inserting before the period at the end of the

1 second sentence of subsection (b) “, except that one full
2 term of six years shall be considered to include an addi-
3 tional four months if the particular term is one which
4 was legally extended for an additional four months”;
5 and

6 (c) by adding the following additional sentence at
7 the end of subsection (c): “All terms of office which
8 otherwise would expire on November 30 of any year
9 following enactment of this sentence are extended four
10 months to expire on the following March 31 so that the
11 term of office of all successors to the terms so extended
12 shall begin with the first day of April.”.

13 SEC. 403. (a) If any provision of this Act, or the appli-
14 cation thereof to any person or circumstance, is held invalid,
15 the remainder of the Act, and the application of such pro-
16 visions to other persons or circumstances, shall not be affected
17 thereby.

18 (b) The right to alter, amend, or repeal this Act is
19 hereby expressly reserved.

A BILL

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

By Mr. COOLEY

MARCH 23, 1955

Referred to the Committee on Agriculture

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued June 13, 1955
For actions of June 10, 1955
84th-1st, No. 97

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HIGHLIGHTS. Senate committee reported bill to provide retirement credit for certain State service, and Commerce appropriation bill. Sen. Humphrey criticized CCC administration. House committee ordered reported bills to continue livestock loans and other emergency loans; and the farm credit bill.

SENATE

1. PERSONNEL. The Post Office and Civil Service Committee reported with amendments S. 1041, to provide for the inclusion in the computation of accredited service, under the Civil Service Retirement Act, of certain periods of service rendered States or instrumentalities of States (S. Rept. 507) (p. 6787).
2. COMMERCE DEPARTMENT APPROPRIATION BILL, 1956. The Appropriations Committee (during adjournment) reported with amendments this bill, H. R. 6367 (S. Rept. 512) (p. D535). It was announced that, if possible, the bill would be considered on Tues. (pp. 6784-5, 6800-1, 6802).
3. BANKING. The Banking and Currency Committee reported with amendments S. 1894, to provide for the U. S. participation in the International Finance Corporation (S. Rept. 505) (p. 6786).
4. RECLAMATION. The Interior and Insular Affairs Committee reported without amendment S. 1177, for the relief of desert land entrymen whose entries are dependent upon percolating waters for reclamation (S. Rept. 508) (p. 6787).
Sen. Humphrey urged the elimination of the proposed Echo Park dam from the upper Colorado River project and inserted a Minneapolis Star article, "Colorado River Plan Threatens Scenic Canyons" (pp. 6801-2).
5. CCC. Sen. Humphrey discussed a survey by congressional investigators of operations of the Department, stated there is "evidence being uncovered of flagrant and serious shortcomings in certain administrative activities of the Department of Agriculture," and inserted several newspaper articles on the CCC grain storage operations (pp. 6797-6800).
6. ADJOURNED until Tues., June 14 (p. 6803). Sen. Stennis announced that the calendar and the Commerce appropriation bill will be considered Tues. (pp. 6800-1).

HOUSE

7. SUBMARGINAL LANDS. The Agriculture Committee ordered reported with amendments H. R. 4280, to direct this Department to release conditions in two deeds conveying certain submarginal lands to Clemson Agricultural College of South Carolina (p. D536).
8. FARM LOANS. The Agriculture Committee ordered reported H. R. 4915, to extend for an additional 2 years the period for emergency assistance to farmers and stockmen; and with amendments H. R. 5822, to extend until June 30, 1957 (now June 30, 1955) the period for making loans in emergencies to farmers and stockmen for agricultural purposes (p. D536).

The Agriculture Committee ordered reported with amendments H. R. 5168, to provide for the retirement of Government capital in certain institutions operating under the supervision of FCA and to increase borrower participation in the management and control of the Federal Farm Credit System (p. D537).

BILLS INTRODUCED

9. WATER CONSERVATION. S. 2188, by Sen. Knowland (for Sen. Dirksen), to amend the Watershed Protection and Flood Prevention Act to provide that the Federal Government shall pay a portion of the costs of certain works of improvement constructed for purposes of water conservation; to Public Works Committee (p. 6787).
10. COTTON. S. 2196, by Sen. Stennis (for himself and others), to amend section 344 of the Agricultural Adjustment Act of 1938, as amended, relating to cotton acreage allotments; to Agriculture and Forestry Committee (p. 6787). Remarks of author (pp. 6792-3).
11. ELECTRIFICATION. S. 2199, by Sen. Fulbright, authorizing the modification of the general plan for the comprehensive development of the White River Basin to provide for additional hydroelectric power development, for the control of floods; to Public Works Committee (p. 6787).
12. RECLAMATION. S. 2202, by Sen. Hayden (for himself and Sen. Goldwater), to authorize the Secretary of the Interior to enter into an additional contract with the Yuma County Water Users' Association with respect to payment of construction charges on the valley division, Yuma reclamation project, Ariz.; to Interior and Insular Affairs Committee (p. 6787).

ITEMS IN APPENDIX

13. FOREIGN AID. Sen. Wiley inserted an article from the LaCrosse, Wis., Register, outlining the statement of a policy endorsed by religious leaders of Christian and Jewish faiths, to share the material abundance of America with foreign countries (pp. A4144-5).
14. RECLAMATION. Sen. Anderson stated his support of "a vigorous reclamation program" and inserted a letter-to-the-editor published in the Denver Post pointing out the importance of irrigation and reclamation in an expanding economy (p. A4146).
Extension of remarks of Rep. Hosmer criticizing the proposed LaBarge project and stating it would increase production of surplus crops (p. A4158).
15. MONOPOLIES. Sen. Humphrey inserted an article from the New York Journal-American, "Fair Trade Laws: A Consumers' Benefit," which defended our free-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued June 21, 1955
For actions of June 20, 1955
84th-1st - No. 103

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HIGHLIGHTS: House passed Federal pay bill and forest mining bill. House passed bills to extend livestock loans and to increase per-diem allowances. House received conference report on salt-water research bill. House committee reported farm credit bill. Senate passed emergency loans extension bill and defense appropriation bill. Sen. Ellender inserted and discussed CCC statement on price support costs, etc.

SENATE

1. EMERGENCY LOANS. Passed as reported S. 1582, which would extend emergency loans for two years (pp. 7424-5).
2. APPROPRIATIONS. Passed with amendments H. R. 6042, making appropriations for the Defense Department for 1956 (pp. 7388-7404, 7407-9, 7410-24).
Postponed debate on H. R. 6499, the general Government matters appropriations bill for 1956, until Tues., June 21 (p. 7428).
3. COMMODITY CREDIT CORPORATION. Sen. Ellender inserted a summary of the price supports program and Commodity Credit Corporation activities prepared by that Corporation (pp. 7425-8).
4. IMMIGRATION. Received a resolution from the California Legislature urging consideration of relief measures for Mexican labor immigrants (p. 7360-1).
5. RECLAMATION. Received a resolution from the California Legislature urging water and land conservation measures in the Central Valley (pp. 7360-1).

Sen. Carlson inserted a resolution from the Kansas Watersheds Association urging consideration of water and land conservation measures in that area (pp. 7362-3).

5. SALT-WATER RESEARCH. Received a resolution from the California Legislature urging that some of saline water research facilities be located in that State (pp. 7360-1).
6. FARM INCOME. Sen. Langer inserted a resolution from the machinists association urging Congress to enact legislation equitable to the small family-type farmer (p. 7362).
7. RURAL ELECTRIFICATION. Sen. Carlson inserted a letter and resolution from a Kansas electric cooperative association opposing recommendations of the "Hoover Commission," which would change any aspect of the rural electric cooperative program (p. 7362).
8. ANIMAL DISEASE. Sen. Wiley inserted a newspaper article commenting favorably on voluntary efforts by dairy farmers to eliminate and control Bang's disease. Sen. Wiley suggested that funds continue to be made available to the Agriculture Department for disease research and control (p. 7368).
9. CONTRACTS. The Finance Committee reported with amendments H. R. 4904, to extend for two years the Renegotiation Act of 1951 (S. Rept. 582) (p. 7363).
10. FOREIGN TRADE. Sen. Martin, Iowa, inserted his statement urging restrictive measures in relation to American participation in the proposed general agreement on trade and tariffs (pp. 7369-70).
11. FOREST LANDS. Passed, as reported, H. R. 4853, to authorize the sale of certain land in Alaska to the Pacific Northern Timber Company (p. 7385).

HOUSE

12. PERSONNEL. Passed, 370 to 3, with amendment, S. 67, providing pay increases for Federal employees (pp. 7437, 7443-53). House and Senate conferees were appointed (pp. 7405-7, 7453). For provisions of this bill see Digest 100.
The Ways and Means Committee reported without amendment H. R. 5560, to make permanent the existing privilege of free importation of personal and household effects brought into the U. S. under Government orders (H. Rept. 859) (p. 7488).
13. SALT-WATER RESEARCH. Received the conference report on H. R. 2126, to continue and expand the Interior Department research program on converting salt water to fresh water (H. Rept. 861) (pp. 7438-9). The Senate agreed to this conference report on June 16.
14. RECLAMATION. Received the conference report on H. R. 103, to provide for the construction of distribution systems on authorized Federal reclamation projects by irrigation districts and other public agencies (H. Rept. 862) (p. 7439). The Senate agreed to this conference report on June 16.
15. FARM LOANS. The Agriculture Committee reported with amendments H. R. 5168, to provide for the retirement of Government capital in certain institutions operating under the supervision of FCA and to increase borrower participation in the management and control of the Federal Farm Credit System (H. Rept. 863) (p. 7488).

FARM CREDIT ACT OF 1955

JUNE 20, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

R E P O R T

[To accompany H. R. 5168]

The Committee on Agriculture, to whom was referred the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration, to increase borrower participation in the management and control of the Federal farm credit system, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Page 10, line 14, after "SEC. 103" insert "(a)".

Page 12, line 9, strike out "offective" and insert "effective".

Page 12, beginning on line 20, strike out "pro rata in accordance with the second sentence of subsection (c) of this section".

Page 13, beginning on line 19, strike out the remainder of page 13, all of page 14, and through line 2 on page 15, and insert:

"(c) APPLICATION OF ASSETS ON LIQUIDATION OR DISSOLUTION.—In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, class A stock and class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration."

(b) For purposes of applying the amendment in subsection (a) of this section, that part of the fiscal year 1956 preceding the effective date of title I of this Act and that part of such year following said effective date shall be deemed to be separate fiscal years.

Page 16, line 23, strike out "three" and insert "six".

Page 17, line 19, strike out "three" and insert "six".

Page 23, beginning on line 14, strike out all of section 201, through page 28, line 8, and renumber following sections to conform.

Page 30, beginning on line 20, strike out all of sections 207 and 208, through page 31, line 8.

Page 34, line 10, strike out "therefore" and insert "therefor".

Page 34, line 13, strike out the period at the end of subsection (d) and insert "and substituting 'but loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration',".

Page 35, line 10, strike out "capitol" and insert "capital".

Page 37, line 2, after "SEC. 401." strike out through and including the colon on line 8, and insert:

(a) Section 5 (b) of the Farm Credit Act of 1937, as amended, is amended by changing the sixth sentence thereof to read as follows:

"After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

(b) Section 5 (d) of the Farm Credit Act of 1937, as amended, is amended—

(1) by substituting "six months" for "three months" wherever it occurs in paragraph (2) thereof; and

(2) by adding at the end thereof a new paragraph as follows:".

Page 38, line 9, strike out "this sentence" and insert "the Farm Credit Act of 1955".

STATEMENT

Section 2 of the Farm Credit Act of 1953 (act of August 6, 1953) states that it is the policy of Congress "to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership under the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration." The same section requires the Federal Farm Credit Board, established by the 1953 act, to study the further steps needed to carry this policy into effect and to recommend to Congress such additional and supplemental legislation as might be required.

The Board's report, including a draft of its recommendations in legislative form, was submitted to Congress on December 8, 1954, and printed as Senate Document 7, 84th Congress. H. R. 5168, reported herewith, embodies most of the recommendations contained in that report.

At the hearings on the bill, which continued for several days, numerous witnesses, including representatives of the major farm organizations, appeared in support of the measure. No witnesses appeared in opposition to the bill as a whole but there was a substantial difference of opinion as to the merits of certain portions of the bill. In general, the committee amendments have changed or removed from the bill those portions to which there was substantial opposition. These will be discussed in more detail later in the report.

FARM CREDIT SYSTEM

Following is a brief outline of the Federal farm credit system. It consists of the following:

1. The Farm Credit Administration which supervises, examines, and coordinates the activities of the credit agencies in the Federal farm credit system. The Farm Credit Administration consists of the Federal Farm Credit Board, the Governor, and its other officers and employees.

2. The Federal land-bank system established pursuant to the Federal Farm Loan Act approved July 17, 1916. It consists of 12 Federal land banks which provide farmers and ranchers with long-term credit on farms and ranches through approximately 1,100 national farm loan associations.

3. The Federal intermediate credit bank system established pursuant to the Agricultural Credits Act of 1923. It consists of 12 banks which discount paper for or make loans to production credit associations and also to certain private credit agencies making short-term agricultural loans to farmers and ranchers.

4. The production credit system created by the Farm Credit Act of 1933. It consists of 12 production credit corporations and 498 production credit associations. The production credit corporations supervise the production credit associations, which make short-term agricultural loans to farmers and ranchers.

5. The system of banks for cooperatives also created by the Farm Credit Act of 1933. It includes 12 regional banks for cooperatives and 1 Central Bank for Cooperatives, which extend credit to farmers' marketing, purchasing, and service cooperatives.

6. The Federal Farm Mortgage Corporation organized under the Federal Farm Mortgage Corporation Act of 1934. This is the Corporation which made the Land Bank Commissioner-type loan under the Emergency Farm Mortgage Act of 1933. It is now principally engaged in liquidating the remaining loans so made and the assets which it acquired in connection with such loan program.

The United States is divided into 12 farm credit districts and in each district there is a Federal land bank, a Federal intermediate credit bank, a production credit corporation, and a bank for cooperatives. In order to coordinate the operations of each of these institutions in each district there is a district farm credit board, the members of which are ex officio directors of each of the institutions. However, each of the institutions has its own officers elected by its board of directors. Each district board now consists of 7 members selected as follows: 2 members elected by the district national farm loan associations, 2 members elected by the district production credit associations, 1 member elected by the cooperative associations which hold stock in the regional bank for cooperatives, and 2 members appointed by the Governor of the Farm Credit Administration.

The bill is divided into four titles: Title I relates to banks for cooperatives; title II relates to the production credit system; title III to the Federal land-bank system; and title IV contains miscellaneous provisions relating to the conduct of elections pertaining to membership on district farm credit boards and to nominees for appointment to, and the terms of office of members on, the Federal Farm Credit Board.

TITLE I—BANKS FOR COOPERATIVES

The system of banks for cooperatives consists of 13 banks, 12 regional banks for cooperatives, 1 located in each farm credit district, and the Central Bank for Cooperatives located in Washington, D. C. Upon organization, the banks were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans under the Agricultural Marketing Act of 1929. The original capitalization amounted to \$110 million. As the credit service of these banks to farmers' cooperatives increased, capital subscriptions by the United States increased until they reached \$178.5 million in 1945. Although the banks have continued to increase their credit services to cooperatives, such subscriptions have now been reduced to \$150 million. Farmers' cooperative associations borrowing from the banks are required to purchase capital stock or subscribe to the guaranty fund (both of which are hereafter referred to as capital stock) of the banks in stated amounts related to the size and type of loans. As of December 31, 1954, cooperative associations held capital stock totaling \$19,904,400, and the banks had earned surplus and reserves in the sum of \$81,720,003. A balance of approximately \$35.7 million remains in the revolving fund available for further subscriptions to capital in these banks if the need therefor should arise.

The banks for cooperatives obtain their loan funds, in addition to the capital and surplus, through the sale of debentures to the public and by loans from the Federal intermediate credit banks and commercial banks. Since August 23, 1954, the banks have been authorized to sell consolidated collateral trust debentures which are the joint and several obligations of all of the banks. Prior to that date only the Central Bank had the authority to issue and sell debentures. The first issue of consolidated debentures was dated February 1, 1955, and was issued to refinance an issue of Central Bank debentures. The authority to issue consolidated debentures gave the banks a broader base for borrowings and should assist the banks to rely more heavily upon the use of borrowed funds in their lending operations.

As previously stated, the banks for cooperatives make loans to farmers' marketing, purchasing, and service cooperatives. The loan programs of the 12 regional banks and the Central Bank are coordinated to avoid duplication of operations and lending authority. Lending limits are established by the Farm Credit Administration for the regional banks based on a percentage of their capital, surplus, and reserves depending on the type of loan. These lending limits are sufficient to enable the regional banks to meet the needs of most cooperative associations. When the amount of loans applied for by a single borrowing association would exceed the lending limits of a regional bank, the amount above the lending limit is offered to the Central Bank. Thus a regional bank, with the Central Bank participating in the larger loans, has been able to distribute the risk, and the system has been able to render adequate credit service on a sound basis to both large and small farmers' cooperatives throughout the Nation. The Central Bank makes a few loans direct. Also, it has served as a source of funds for the district banks which has permitted greater use of the resources of the system.

Under present law, the required capital stock purchases by borrowing cooperatives will not furnish sufficient capital funds to permit the

banks to operate on a sound basis and meet the credit needs of farmers' cooperatives. As presently organized, the use of Government capital is essential to continued operation of the system.

The primary purpose of title I of the bill is to provide a plan under which the banks would be organized on a truly cooperative basis. Borrowing cooperatives would continually make capital contributions to the system so long as they used its credit service. Each year final net savings (after taxes, dividends, reserves, and surplus requirements) would be distributed as patronage refunds to borrowing cooperatives in the form of capital stock, all of which capital would remain in the system until all of the capital stock of the United States had been retired. Each year Government capital would be retired in an amount equal to the required stock contributions of and the patronage refunds to the borrowing cooperatives.

TITLE II—PRODUCTION CREDIT SYSTEM

Title II of the bill relates to the production credit system consisting of 12 production credit corporations, which are wholly Government-owned, and 498 production credit associations. Currently, 415 of the production credit associations are wholly member-owned and 83 are jointly owned by their members and the production credit corporations of their respective districts.

When this system was established in 1933 the production credit corporations were created as wholly owned Government corporations to organize, capitalize, and supervise the production credit associations in each district so that short-term agricultural credit would be available to farmers and ranchers throughout the United States on a cooperative basis.

The corporations were capitalized by stock subscriptions made on behalf of the United States out of a revolving fund of \$120 million. As each association was organized the corporation subscribed to the initial capital in order to enable it to commence operations. Approximately \$90 million of the corporation's capital was used to purchase stock in the associations. As the financial position of the associations grew on a sound basis through capital contributions made by their members and through the accumulation of earnings, the capital stock held by the corporations was retired and the proceeds were returned to the corporations. By this process the associations are being converted into member-owned associations, as all but approximately \$3 million of the original approximately \$90 million has been returned.

As of December 31, 1954, member-owned stock in the 498 associations was as follows: Class A stock, \$25,019,916; class B stock, \$69,590,065. No class C stock has been sold.

As of December 31, 1954, the corporations had outstanding stock owned by the United States in the amount of \$31,735,000 and earned surplus and reserves totaling \$14,037,840. There remains in the revolving fund \$58,265,000 available for possible future subscriptions to stock in the corporations, \$30 million having been returned from the original revolving fund to the general fund of the Treasury. All of the operating costs of the corporations are paid out of earnings on their investments or out of their accumulated surplus funds.

TITLE III—FEDERAL LAND BANK SYSTEM

Title III of the bill contains proposed amendments relating to the land-bank system, the purpose and objective of which are to increase borrower participation in the operations of the system, to increase operating efficiency, and to render a more complete long-term credit service to agriculture.

The Federal land-bank system consists of 12 Federal land banks and approximately 1,100 national farm loan associations. All of the national farm loan associations are capitalized and owned by their members, and all of the capital stock of each Federal land bank is owned by the national farm loan associations; therefore, the land-bank system is wholly member-owned. As of December 31, 1954, the national farm loan associations owned \$78 million of capital stock in the land banks, and the land banks had earned surplus and reserves totaling \$260 million.

Initially this system was primarily capitalized by the United States, under a plan which provided for eventual borrower ownership through the retirement of the Government's capital stock subscriptions as capital contributions of members increased.

The land banks make their loans to farmers and ranchers through the national farm loan associations. Each borrower must be a member of the association through which he obtains a loan and he must purchase stock in the association in an amount equal to \$5 for each \$100 borrowed. The association in turn must have a like amount of stock in the land bank. When the Government had capital invested in the land banks, the law required that each year an amount equal to 25 percent of the subscriptions by the national farm loan associations be retired. Originally the Government made stock subscriptions totaling about \$9 million. By 1932 this figure had been reduced to about \$150,000. However, in order to enable the banks to render their credit services to agriculture during the severe depression of the early thirties, \$125 million was made available in 1932 for subscriptions by the United States to capital stock of the Federal land banks, and under subsequent legislation, the first of which was enacted in 1933, the United States subscribed to the paid-in surplus of the banks in the amount of approximately \$189 million to enable the banks to grant deserving borrowers extensions and deferments of payments due on mortgage loans. By 1947, the banks had repaid all of these funds, and have since been completely member-owned.

The banks obtain their loan funds over and above their capital by the sale of consolidated farm loan bonds to the public. These bonds are the joint and several obligations of the banks, and are not guaranteed either as to principal or interest by the United States. As of December 31, 1954, the banks had outstanding consolidated bonds in the principal sum of approximately \$1,030 million.

At the present time the banks can make loans on farm properties in amounts not in excess of 65 percent of the normal value of the individual farm offered as security as that value is determined by land-bank appraisers. These appraisers are employees of the Farm Credit Administration and they operate under appraisal standards prescribed by the Farm Credit Administration. Loans so made are eligible collateral for the consolidated bonds issued by the banks.

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COMMITTEE AMENDMENTS

With the exception of perfecting and clarifying amendments, following is an explanation of the amendments to the bill made by the committee:

SECTION 103

This section amends section 36 of the Farm Credit Act of 1933. The language of subsection (c) contained in the bill as introduced would have retained a permanent Government interest in the surplus and reserves of the banks for cooperatives, even after all the Government stock in the banks had been retired. The amendment made by the committee will retain a Government interest in the surplus and reserves only so long as, and to the extent that, there is Government ownership of stock in the banks. In the event of liquidation, the assets remaining after payment of liabilities would be divided pro rata among the stockholders.

SECTION 201

This section, covering about five pages in the bill, provided for substantial changes in the financial structure and operation of the production credit associations and for the assumption of ownership by the associations of the production credit corporations. This was the most generally opposed section of the bill. There was no unanimity of criticism. Some witnesses thought it was too generous in its treatment of production credit associations—others that it imposed too heavy an obligation on them. The great majority were agreed, however, that the matter should have further study. With this the committee agrees. It has removed section 201 from the bill with the understanding that the Farm Credit Board will give this whole matter further study and will make new recommendations on the subject by the time Congress meets in January 1956. Deletion of section 201 required also the deletion of two minor sections of title II: sections 207 and 208.

SECTION 304

This section amends section 12 of the Federal Farm Loan Act, which establishes the terms and conditions on which farm mortgage loans may be made by the Federal land banks. Subsection (a) of the bill as introduced would have increased the present ceiling of \$100,000 on such loans to \$200,000 and eliminated the requirement that loans in excess of \$25,000 must have the approval of the central office of the Farm Credit Administration. The committee amendment puts the ceiling at \$200,000 but requires that any loan in excess of \$100,000 must have the approval of the Farm Credit Administration.

SECTION 401

The committee has added an amendment which will prohibit salaried officers or employees of the Farm Credit Administration from hereafter being elected or appointed members of a district farm credit board. Such employees are now ineligible for appointment but not for election. The provision will not affect the term of office of anyone now serving on such a board.

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ANALYSIS OF THE BILL

Short title

Section 1 provides that the short title of the bill shall be the Farm Credit Act of 1955.

TITLE I—BANKS FOR COOPERATIVES

Stock of the banks for cooperatives (sec. 101)

Section 101 would amend section 42 of the Farm Credit Act of 1933 so as to provide three classes of stock for the banks for cooperatives: Class A, class B, and class C. Each class would have a par value of \$100 a share.

Under present law, there is but one class of stock for the banks for cooperatives. Approximately 88 percent of the aggregate stock of the Central and regional banks for cooperatives is held by the Governor of the Farm Credit Administration on behalf of the United States. The balance is held by borrowers from the banks, who are required to purchase stock or subscribe to the guaranty fund in amounts related to the size of their loans. Present law authorizes dividends up to 7 percent per annum, but no dividend has been declared or paid by a bank for cooperatives. The rights of existing stockholders of the banks are adequately protected.

Class A stock.—Class A stock would be held only by the Governor of the Farm Credit Administration on behalf of the United States. Existing stock so held by the Governor on the effective date of title I of the bill would be exchanged, share for share, for class A stock of the respective banks. Class A stock would be nonvoting and it would not be entitled to dividends. At the end of each fiscal year, each bank would determine the amount of class A stock to be retired by the bank. Funds from the retirement of class A stock would be paid into the revolving fund in the United States Treasury from which subscriptions to stock of the banks are made and would continue to be available for subscriptions to class A stock when required for the purpose of meeting the credit needs of eligible borrowers from the banks.

The amount of class A stock which each bank would be required to retire each year would be the equivalent in dollar value of the amount of class C stock issued by the bank for that year except that (1) class C stock issued by a regional bank on account of class C stock issued to it by the Central Bank, (2) class C stock issued by a regional bank in exchange for class B stock the proceeds of which were used to retire an equivalent amount of class A stock, and (3) class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of title I would not be included in calculating the minimum amount of class A stock the bank must retire. Any amount of class A stock retired in excess of such minimum amount in any one year could be used to reduce to that extent the amount required to be retired in any subsequent year.

Class B stock.—Class B stock would be an investment stock intended for sale to farmers' cooperative associations and others as one of the new means of capitalizing the banks for cooperatives. It would be sold only at par and would be nonvoting. With the approval of the Farm Credit Administration, a bank would be authorized to pay noncumulative dividends on class B stock not in excess of 4 percent

per annum, if the surplus account of the bank after the payment of such dividends would not be less than 25 percent of the bank's outstanding stock. Patronage refunds could not be distributed in any year unless for that year a dividend of at least 2 percent was paid on class B stock. Class B stock would be issued in series and amounts approved by the Farm Credit Administration. The particular conditions of such stock would be stated on the face of the stock certificates. Class B stock could be called for retirement at par after all class A stock of the bank has been retired, the oldest outstanding class B stock to be called first. A holder of class B stock whose stock has been called for retirement could elect, with the approval of the issuing bank, to have his called stock remain outstanding, subject to its being included in the next call for retirement.

Class C stock.—Class C stock would in effect be the voting, common stock of the banks. It would be issued at its fair book value but not in excess of par. No dividends would be paid on it. Ordinarily it would be issued to and held by farmers' cooperative associations which borrowed from the banks for cooperatives, but class C stock of the Central Bank would only be issued to and held by regional banks. Class C stock could be issued in fractional shares as well as whole shares.

A cooperative association holding one or more shares of class C stock of a regional bank for cooperatives would be entitled to vote in the polls for designating nominees for appointment to the Federal Farm Credit Board pursuant to section 4 (a) of the Farm Credit Act of 1953, in the nomination polls and elections of members of district farm credit boards pursuant to section 5 of the Farm Credit Act of 1937, as amended, and in the nomination and election of directors of the Central Bank for Cooperatives under section 104 of the bill. The association, in such polls and elections, would have one vote only without regard to the number of shares of class C stock held by it. A cooperative association holding class C stock, and otherwise entitled to vote, would not be eligible to vote if it had not been a borrower from a bank of which it holds class C stock, or from the Central Bank, within a period of 2 years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting. The voting rights of an association holding existing stock of a bank for cooperatives would not be impaired. Associations holding guaranty-fund equivalents of class C stock or of existing stock would have the same voting rights as would the respective holders of such stock.

Each borrower from a bank for cooperatives would be required to own, at the time the loan is made, at least one share of class C stock, which might be paid for out of the loan proceeds. In addition, each borrower would be required quarterly to purchase class C stock in the lending bank in an amount equal to not less than 10 nor more than 25 percent of the amount of interest on loans payable by the borrower to the bank during the calendar quarter. The amount of the quarterly stock purchase, within the 10-25 percent limits, would be prescribed by the board of directors of the bank with the approval of the Farm Credit Administration. Payments for the stock required to be purchased would be made quarterly or when the regular interest payments of the borrower were payable. The stock would be issued to the borrower as of the end of the fiscal year in the amount of such payments made by the borrower during that fiscal year.

These required purchases of stock would not necessarily be limited to cooperative associations eligible to borrow, but might be imposed upon other entities which were carrying loans with a bank; for example, an association might become ineligible to borrow after it obtained a loan or an association's property might be acquired, subject to a loan, by a corporation not qualified as a cooperative association. Borrowers such as these could be required by regulations of the Farm Credit Administration to make the quarterly stock purchases.

Each regional bank would be required to own at least one share of class C stock of the Central Bank. Also, in connection with each loan made by a regional bank in which the Central Bank purchases a participating interest, the regional bank would be required quarterly to buy class C stock of the Central Bank in an amount equal to not less than 10 nor more than 25 percent of the amount of interest payable by the regional bank to the Central Bank during the quarter by reason of the participating interest of the Central Bank in the loan. The amount of the quarterly stock purchase, within the 10-25 percent limits, would be prescribed by the Board of Directors of the Central Bank with the approval of the Farm Credit Administration. The stock would be paid for by the regional bank and issued by the Central Bank in substantially the same way that borrowers from a regional bank would pay for and receive class C stock of the regional bank.

After all class A stock has been retired, class C stock could be retired at par through the method of retiring first the oldest class C stock outstanding, but class C stock issued for a fiscal year period could not be retired until all class B stock issued during or prior to that fiscal year had been called for retirement.

Stock conversion privileges.—Outstanding capital stock issued before the effective date of title I held by a borrower could be converted into class B or class C stock, and class B stock could be converted into class C stock for the purpose of making the quarterly purchases of class C stock required of a borrower (see also sec. 111).

Guaranty-fund subscriptions in lieu of stock purchases.—The laws of certain States do not permit cooperative associations to acquire stock in a bank for cooperatives. Consequently, section 101 contains provisions, similar to provisions of the existing law, which would authorize an association organized under the laws of such a State, in lieu of purchasing stock, to subscribe to a guaranty fund of the lending bank in amounts equivalent to the amounts of class C stock which the association would otherwise be required to purchase. Patronage refunds payable to such an association would be credited to the guaranty fund for its account in lieu of the issuance of class C stock. Such an association would also be authorized to make payments into the guaranty fund in lieu of the purchase of class B stock. To the extent permitted by the laws of the State under which such an association is organized, the holder of guaranty-fund equivalents of class B or class C stock would have the same rights and status as class B and class C stock, respectively; and the rights and obligations of the bank as respects such guaranty-fund equivalents would be the same as its rights and obligations with respect to class B or class C stock, respectively.

Lien on stock.—Section 101 would authorize the bank, upon default of a loan, to retire and cancel all or any part of the borrower's stock

in the bank at fair book value not exceeding par in total or partial liquidation of the debt. Thus, stock held by a borrower in a bank would constitute additional collateral for any indebtedness of the borrower to the bank. If an association borrowed directly from the Central Bank, that bank would have a first lien on any amount of class C stock which the association owned in any regional bank on account of the direct loan from the Central Bank, and the regional bank would have a lien on such stock, for any indebtedness of the association to it, junior only to the lien of the Central Bank. If a direct loan of the Central Bank were in default and class C stock issued by a regional bank to the borrower in connection with the loan were retired, the corresponding stock in the Central Bank held by the regional bank would also be retired.

Election of additional district farm credit board members.—Section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended by section 15 of the Farm Credit Act of 1953, provides that whenever the sum of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives, and surplus and reserves of the bank, shall equal or exceed 66⅔ percent of the total capital stock, subscriptions to the guaranty fund, surplus, and reserves of the bank, the cooperative associations which are stockholders or subscribers to the guaranty fund of the bank shall under prescribed conditions be entitled to elect a second member of the district farm credit board. Section 101 provides that, for the purposes of calculating such 66⅔ percent, the term “capital stock and subscriptions to the guaranty fund held by cooperatives,” or the equivalent of that term, shall mean all outstanding class B and class C stock of the bank and the guaranty-fund equivalents thereof, as well as outstanding stock issued before the effective date of title I.

Application of stock provisions to Central Bank (sec. 102)

Section 102 provides that the provisions of the bill relating to class A, class B, and class C stock of the regional banks shall apply generally to the Central Bank. An association borrowing directly from the Central Bank would be required to own at the time the loan is made at least one share of class C stock in a regional bank designated by the Farm Credit Administration. Such a borrower would be required to invest quarterly in class C stock in such regional bank or banks as the Farm Credit Administration might designate, amounts equal to not less than 10 nor more than 25 percent of the amount of interest payable by the borrower on the loan during the calendar quarter. The amount of the quarterly stock purchase, within the 10–25-percent limits, would be prescribed by the Board of Directors of the Central Bank with the approval of the Farm Credit Administration. Payments for the stock required to be purchased would be made quarterly or when the regular interest payments of the borrower were payable. The stock would be issued to the borrower as of the end of the fiscal year in the amount of such payments made by the borrower during that year. The regional bank which issued stock to such a direct borrower from the Central Bank would be required to purchase a corresponding amount of class C stock in the Central Bank.

Application of savings; distribution of assets upon liquidation (sec. 103)

Section 103 (a) amends section 36 of the Farm Credit Act of 1933 to provide a new method of application and distribution of the net

savings of the banks, as determined for each fiscal year in accordance with the bill, whereby all such savings would be applied or distributed by allocation and none would be retained by the banks in the nature of unapplied or unallocated earnings. Net savings would be the amount of income of a bank remaining after all operating expenses are paid or provided for, including the establishment of reasonable valuation reserves, and the making good of any losses in excess of any such valuation reserves. The net savings would be applied as follows:

1. *Restoring impairment of capital stock.*—If the board of directors of a bank had determined that the capital stock of the bank was impaired, net savings would be applied first toward the restoration of the amount of such impairment.

2. *Creation and maintenance of surplus account.*—After restoration of any impairment of capital stock, 25 percent of any remaining net savings would be carried to a surplus account. As used in the bill, "surplus account" means any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I, plus amounts added to the surplus account after such date. Amounts of net savings required to be carried to surplus account after the effective date of title I would be allocated to borrowers on a patronage basis approved by the Farm Credit Administration and if the surplus account of a bank exceeded 25 percent of its total outstanding capital stock, the bank might distribute all or any part of such allocated excess by issuing class C stock to the patrons to whom the allocations were made. Any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I could not be allocated or distributed, but would remain as a part of the permanent capital structure of the banks. The surplus account would be divided to show the amounts thereof subject to allocation and possible distribution in class C stock, and the amounts thereof which must be retained in the bank.

3. *Franchise tax.*—If during all or any part of a fiscal year the United States held stock in a bank for cooperatives, the bank, after making the required transfer to surplus account, would, as presently provided by law, pay a franchise tax to the United States equal to 25 percent of its net savings then remaining, but not exceeding a rate of return on the Government's investment in the bank's stock calculated at a rate equal to the computed average annual rate of interest on all public issues of public-debt obligations of the United States issued during the fiscal year ending next before such tax is due. Since the tax would be due on the last day of a fiscal year, the applicable rate of interest would be the rate for the preceding fiscal year. Patronage refunds received by a regional bank from the Central Bank would not be included in the computation of net savings of the regional bank for the purpose of computing the franchise tax since the Central Bank also would be subject to the franchise tax provisions.

4. *Contingency reserves.*—Out of net savings remaining after payment of any franchise tax a bank could establish and maintain reasonable contingency reserves. Amounts of net savings applied to contingency reserves after the effective date of title I would be allocated to borrowers on a patronage basis approved by the Farm Credit Administration. If at the end of any fiscal

year a bank determined that a portion of its contingency reserves was no longer necessary, such portion would be transferred to the surplus account.

5. *Dividends on class B stock.*—Net savings remaining after any application thereof to contingency reserves would be available for dividends on class B stock to the extent and under the conditions heretofore discussed.

6. *Patronage refunds.*—The balance of any net savings remaining after application and distribution as explained above would be distributed as patronage refunds. Patronage refunds would be paid in class C stock and would be paid in the proportion that the amount of interest earned by the bank on the loan of each borrower bears to the total interest earned on the loans of all borrowers from the bank during the fiscal year. The Central Bank would pay patronage refunds in its class C stock to the regional banks upon the basis of participating interests the Central Bank held in loans made by the respective regional banks. In the case of a direct loan made by the Central Bank, patronage refunds of the Central Bank would be paid in class C stock issued to the regional bank or banks which issued stock to the borrower in connection with such direct loans, or to a regional bank or banks designated by the Farm Credit Administration. Regional banks receiving class C stock of the Central Bank in connection with direct loans of the Central Bank would issue like amounts of their class C stock to the respective borrowers.

7. *Disposition of losses.*—A net loss in any fiscal year would be absorbed by: First, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of class C stock; and fifth, the impairment of all other stock.

Section 103 (a) also provides for the distribution of assets upon liquidation or dissolution of the banks. In that event, all liabilities would first be paid or payment thereof provided for. Next, capital stock issued before the effective date of title I held by cooperative associations, class A stock, and class B stock would be retired at par. Remaining assets of the bank would be used next to retire all class C stock at par. Any remaining assets would then be distributed as follows: First, surpluses and contingency reserves on hand on the effective date of title I would be paid to the holders of outstanding stock issued before the effective date of title I, class A and class C stock pro rata; and second, any residual assets (surpluses and contingency reserves) would be distributed as allocated on the books of the bank. Section 103 (a) also provides that in absorbing losses, allocated contingency reserves and allocated surplus shall be exhausted first and other contingency reserves and surplus would then be used.

Section 103 (b) provides that for the purpose of applying the amendment in subsection (a), the fiscal year 1956 may be divided and each part thereof treated as a separate fiscal year. Under this provision, the savings prior to the effective date of title I would be applied in accordance with the law in effect before such date and savings thereafter would be applied in accordance with the amendment contained in section 103 (a).

Board of Directors of Central Bank (sec. 104)

Under existing law the Board of Directors of the Central Bank for Cooperatives consists of seven members. One member is an official of the Farm Credit Administration designated by the Governor, who is ex officio Chairman of the Board and chief executive officer of the bank. The remaining 6 Directors are appointed by the Governor, 3 from nominees selected by cooperative associations which are borrowers from the Central Bank.

Section 104 would amend section 31 of the Farm Credit Act of 1933 to provide a new Board of seven members for the Central Bank. Initially 4 Directors would be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board and 3 would be elected by the regional banks for cooperatives and cooperative associations eligible to vote in accordance with regulations prescribed by the Farm Credit Administration. Any appointed Director could be removed at pleasure at any time by the Farm Credit Administration. The terms of office of members of the new Board would be staggered so that new members would be appointed and elected each year. After the expiration of initial terms expiring at the end of 1 and 2 years, respectively, the terms of office of all appointed and elected Directors would be 3 years.

Initially, for the purpose of electing Directors of the Central Bank, the 12 farm credit districts would be divided into 3 areas, each comprised of 4 contiguous farm credit districts, and a Director from each of such areas would be elected from nominees selected by the regional banks of the area and cooperative associations of the area eligible to vote. Whenever the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank not held by the Government and surplus and reserve accounts of the bank equaled or exceeded 66½ percent of the total capital stock, subscriptions to the guaranty fund, and surplus and reserve accounts of the bank, additional Directors would be elected until a total of 6 of the Directors were elected Directors and the remaining 1 an appointed Director. When the number of elected Directors is to be increased from 3, the Farm Credit Administration would group the farm credit districts into 6 areas, each comprised of 2 contiguous farm credit districts and a Director would be elected from each of said 6 areas from nominees selected by the banks for cooperatives and associations eligible to vote in the area. If, after more than 3 Directors have been elected, the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank not held by the Government and surplus and reserve accounts of the bank should fall below the aforesaid 66½ percent, elected Directors as their terms expired would be replaced by appointed Directors until again the number of elected Directors did not exceed 3.

In providing for the election of Directors, section 104 would grant the right to vote to the regional banks for cooperatives and to cooperative associations which are eligible to vote and own one or more shares of class C stock in a bank or one or more shares of presently outstanding stock. A principal reason for extending the voting rights in this way is because it is contemplated that under the bill there would be very few direct borrowers from the Central Bank, whereas the regional banks and cooperative associations using the system have a real interest in the management of the affairs of the Central

Bank. Each regional bank and each association eligible to vote would be entitled to one vote only without regard to the number of shares of stock it held, and the vote could be cast only with respect to elections in the area in which is located the main office of the voter.

Elected Directors would be required to have been residents of the area from which they are elected for a period of at least 2 years prior to the election. To be eligible for nomination, election, or appointment as a Director, a person could not have been within a period of 1 year next preceding the commencement of the term a salaried officer or employee of the Farm Credit Administration or of any corporation operating under supervision of the Administration. If a member of the Federal Farm Credit Board or of a district farm credit board were appointed or elected as Director, he would be required to resign as member of the Federal Board or district board before assuming duties as Director of the Central Bank. If a Director of the Central Bank became a member of the Federal Farm Credit Board or of a district farm credit board or an officer or employee of the Farm Credit Administration or of any corporation operating under its supervision, he would not be eligible to continue to serve as Director of the Central Bank. The provisions of section 104 with respect to the eligibility of Directors of the Central Bank is patterned after the similar provisions of the Farm Credit Act of 1953 relating to members of the Federal Farm Credit Board.

Powers of Boards of Directors

Under the present law the Chairman of the Board of the Central Bank is an officer of the Farm Credit Administration designated by the Governor. This official is also the chief executive officer of the bank. The powers of the Board of Directors are such as are prescribed in the charter and bylaws. Section 105 would authorize the Board of Directors to elect a Chairman and a Vice Chairman from among its members. It would also provide specifically that the Board, subject to approval of the Farm Credit Administration, would have power to appoint and fix the compensation of the chief executive officer and such other officers, employees, experts, and consultants as might be necessary for the efficient conduct of the bank's business. An officer or employee of the Farm Credit Administration would not be eligible to serve as chief executive officer of the bank.

Miscellaneous provisions (sec. 106)

Policy regarding loans by Central Bank.—Section 106 enacts into law the present policy under which the Central Bank makes loans only when it is not practicable for the loan to be made by a regional bank. Under this policy, the bulk of the business of the Central Bank is represented by interests purchased by the bank in the larger loans made by regional banks.

Authority of custodians of collateral (sec. 107).—Section 107 provides that custodians of collateral who act for the banks for cooperatives may act also, with the approval of the Farm Credit Administration, as custodians in connection with loans of eligible cooperative associations obtained from other sources. This provision would facilitate borrowings by the cooperative associations from commercial lenders.

Transfer of certain functions to Central Bank Board (sec. 108).—In view of the provisions of section 105 whereby the chief executive officer of the Central Bank would not be an official of the Farm Credit

Administration, and the proposed broadening of the powers of the Bank's Board of Directors, section 108 provides for the transfer to the Board of Directors of the bank or the Farm Credit Administration of authorities vested in the Chairman of the Board under present law, and provisions of existing law inconsistent with these provisions of the bill would be repealed (sec. 110 (c) also repeals a provision which is inconsistent with the provisions of the bill).

Interest rates (sec. 109).—Existing law relates the interest rates on loans made by the banks for cooperatives to interest rates charged by Federal intermediate credit banks and Federal land banks. Interest rates are prescribed by the Governor as he determines necessary for the needs of the banks, but no interest rate may exceed 6 percent per annum. The interest rate for operating capital loans is conformed as nearly as may be practicable to a rate 1 percent in excess of the rate paid by production credit associations to the intermediate credit banks. The interest rate on commodity loans conforms likewise to the prevailing interest rates on commodity loans charged by the intermediate credit banks and the interest rate on facility loans conforms to the rate charged by the Federal land banks on mortgage loans. In view of the necessity of setting rates so as to provide adequate interest income to the banks for cooperatives, it seems inappropriate and unrealistic to relate the interest rates that they may charge to rates charged by other institutions. Accordingly, section 109 provides that the boards of directors of the respective banks for cooperatives would prescribe the interest rates on loans from time to time with the approval of the Farm Credit Administration, but in no case could the interest rate exceed 6 percent per annum.

Receivership; voluntary liquidation (sec. 110).—The present law provides receivership and voluntary liquidation proceedings for the regional banks for cooperatives but not for the Central Bank. Section 110 (a) would make these provisions applicable also to the Central Bank.

Limitation on compensation.—Section 110 (b) would repeal the provision of law limiting to \$13,800 per annum the compensation which may be paid directors, officers, or employees of the banks for cooperatives, production credit corporations, and production credit associations. No limitations upon compensation have ever applied to Federal land banks, Federal intermediate credit banks, or national farm loan associations. However, the compensation of officers and employees of all supervised institutions is subject to the approval of the Farm Credit Administration. Placing institutions of the cooperative bank and production credit systems upon the same basis as are the others would be consistent with the express congressional policy to facilitate increased borrower participation in the management, control, and ultimate ownership of the farm credit system.

Authority to issue regulations.—Section 110 (d) would extend the general authority of the Farm Credit Administration to make regulations for the efficient execution of the Federal Farm Loan Act and acts amendatory thereof and supplementary thereto to the Farm Credit Act of 1933 and acts amendatory thereof and supplementary thereto. This provision would grant the Farm Credit Administration the same authority to issue regulations with respect to the banks for cooperatives, the production credit corporations, and production credit associations that it now has with respect to the Federal land

banks, Federal intermediate credit banks, and national farm loan associations.

Application to existing loans (sec. 111)

Generally, under section 111 of the bill, the provisions of title I would not apply to loans made before its effective date, except as and when such loans might be brought under the new provisions by agreements between the borrowers and the lending banks. Holders of stock of banks for cooperatives issued before title I became effective would retain voting rights. By agreement between a borrower and the bank, such stock may be converted in whole or in part into the new class B or class C stock or equivalent guaranty-fund credits. With respect to any such stock not so converted, the holder would retain his right to have such stock retired upon repayment of the loan. With the approval of the Farm Credit Administration, a bank might retire old stock and hold the stock proceeds as security for any indebtedness of the borrower to the bank.

Effective date (sec. 112)

In order that ample time would be given to effect the fundamental changes contemplated in the cooperative bank system and also to obviate difficulties of a fiscal nature, section 112 provides that title I would be effective on the first day of the month next following 120 days after the date of enactment.

TITLE II—PRODUCTION CREDIT SYSTEM

Title II contains provisions relating to the financial structure and operating problems of the production credit associations.

Preferential dividends on class A stock (sec. 201)

The law presently grants class A stock preference over class B stock upon liquidation of a production credit association but provides that these two classes of stock shall share in dividend distributions without preference. Class B stock is held for the most part by member-borrowers of the associations, generally in amounts required in connection with their loans. Class A stock represents investment capital provided by members, many of whom are not currently borrowing, and capital provided by the production credit corporations. Many members of production credit associations have voluntarily purchased class A stock to make possible a reduction in the amount of Government capital in the associations. The great majority of associations have refrained from paying dividends in order to build up their financial strength. Thus, the stockholders of many associations have carried their stock investment for a long period without dividends. It is felt that the time has now come to recognize the position of class A stockholders, who are contributing to the permanent capital of the associations, by making it possible for associations to pay dividends for their benefit without necessarily paying like dividends on the class B stock. Section 201 would authorize the associations to pay dividends on class A stock without also paying dividends on class B stock. Class B stock is largely held by the active borrowers receiving direct benefits in the form of loans from the associations. This section, by encouraging further investments in

class A stock, would tend to reduce the need for Government capital in the associations.

Distribution of earnings; elimination of guaranty fund; payment of dividends (sec. 202)

The law now requires as a condition precedent to the payment of dividends by a production credit association that it establish and maintain out of its earnings a guaranty fund at least equal in amount to 25 percent of its paid-in capital. The guaranty fund of an association may not be used for making loans to farmers nor as security for borrowings by the association. Accordingly, the guaranty fund of an association is largely immobilized and the association is handicapped to that extent in the full use of its capital funds in meeting the credit needs of its members. Therefore, section 202 would abolish the guaranty fund and provide that the earnings of an association in excess of its operating expenses would be applied, first, to the restoration of capital impairments, if any, and second, to the establishment and maintenance of a surplus account, the minimum amount of which would be prescribed by the production credit corporation of the district. As is the case under existing law, an association would be authorized to pay dividends of not to exceed 7 percent per annum; however, dividends would be paid only when such payments are approved by the production credit corporation of the district and are consistent with policies established by the Farm Credit Administration.

Reserves transferred to surplus account (sec. 203)

Section 203 provides that as of the effective date of title II, any amounts held by a production credit association pursuant to present law in its guaranty fund or in its reserve for bad and doubtful debts would be transferred to the surplus account which would be established under section 202.

Approval of "excess" loans (sec. 204)

Because section 202 would abolish the guaranty fund of associations, section 204 would also eliminate from the statute the prohibition against use of the guaranty fund for making loans to farmers and would amend provisions relating to the size of loans which require prior approval by the production credit corporation or by the corporation and the Farm Credit Administration. Under present law such approvals are required if a proposed loan exceeds specified percentages of the lending association's capital and guaranty fund. Section 204 would change the provisions as regards prior approval of loans by providing that no loan could be made by an association which would cause the aggregate indebtedness of the borrower to the association to exceed 15 percent of the capital and surplus of the association unless the loan is approved by the production credit corporation, and a loan could not exceed 35 percent of the capital and surplus of the association unless it is approved also by the Farm Credit Administration. The new provisions with respect to prior approval of loans would require approval of substantially the same size loans as must have prior approval under existing law.

Taxable status of associations (sec. 205)

Under present law a production credit association is exempt from most taxes so long as the production credit corporation owns any of

its stock. When all stock of the association owned by the corporation is retired, such tax exemption would terminate. Section 205 would provide that where the production credit corporation holds no class A stock of an association but owns class C stock (authorized by the Farm Credit Act of 1953), the association would be subject to taxation.

TITLE III—FEDERAL LAND BANK SYSTEM

Title III contains amendments relating to the land-bank system, the purpose and objective of which are to increase borrower participation in the operations of the system, to increase operating efficiency, and to render a more complete long-term credit service to agriculture.

Reports to Farm Credit Administration (sec. 301)

Under present law, the Federal land banks and the national farm loan associations are required to furnish the Farm Credit Administration with a quarterly statement of their condition. In addition, it is the duty of the secretary-treasurer of each national farm loan association to furnish a quarterly report to the Farm Credit Administration. Experience has shown that such reports are not necessary quarterly and that it may be preferable to have them at other intervals, such as annually or semiannually. Section 301 would amend such provisions to require that the reports involved be made to the Farm Credit Administration "as required by it," instead of "quarterly."

Stock subscriptions by the United States (sec. 302)

The Federal Farm Loan Act contains a paragraph, added in 1932, which provides for subscriptions by the United States to the capital stock of the Federal land banks, authorizes an appropriation of \$125 million therefor, and directs that repayments of such stock be held in a revolving fund available for further stock subscriptions. The last of the stock held by the United States in the land banks was paid off and retired in 1947 and, as directed by the Congress, the revolving fund was covered into the general fund of the Treasury in 1950. At the present time, therefore, there is no appropriation available for further subscriptions by the United States to the capital stock of the land banks and section 302 would repeal the statutory authority for such subscriptions and appropriations.

Appraisals by land bank designees (sec. 303)

Before a Federal land-bank loan now may be closed, the application therefor must be referred to a land-bank appraiser, who is a public official appointed by the Farm Credit Administration, to investigate and make a written report on the security offered for the loan. The loan may not be made unless such written report of the land-bank appraiser is favorable. Also, the amount of any loan may not exceed 65 percent of the normal value of the security as determined by the land-bank appraiser. A loan made within such requirements, among others, may then be pledged by the bank as collateral security for farm loan bonds at the amount of its unpaid balance.

As a result of long experience in making and servicing such loans, there are now employees of national farm loan associations and of Federal land banks, as well as certain others in each district, sufficiently familiar with the appraisal standards prescribed by the Farm Credit Administration to enable such employees, subject to subsequent

review by a regular land-bank appraiser, to make the investigation and appraisal of the security now required to be made by a land-bank appraiser. Section 303 would amend section 10 of the Federal Farm Loan Act to authorize a Federal land bank, with the approval of the Farm Credit Administration, to make a loan on the basis of an investigation and a favorable written report by a person designated by the Federal land bank of the district. A loan so made could then be used as collateral for bonds at its unpaid balance. A bank making any such loan would be required to obtain, within 1 year, a written report on the security for the loan by a regularly appointed land-bank appraiser. In the event that the unpaid balance of the loan is more than 65 percent of the normal value established by the land-bank appraiser, the loan could not thereafter be carried as bond collateral at an amount in excess of such 65 percent. Further, the loan could not thereafter be used as bond collateral in any amount unless the report by the land-bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land-bank loan.

Purposes of loans (sec. 304 (a))

The Federal Farm Loan Act enumerates five purposes for which Federal land-bank loans may be made. One of the specified purposes is to provide the owner of the land mortgaged with funds for general agricultural uses. This purpose is broad enough to include such other specified purposes as the purchase of land for agricultural uses; the purchase of equipment, fertilizers, and livestock for operation of the mortgaged farm; and to provide buildings and farmland improvements. The other specific purpose of such loans is to liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred at least 2 years prior to the date of the loan application. In some instances, an applicant may desire to obtain a loan for a purpose which is sound and appropriate in his circumstances, but the purpose is not plainly within those enumerated in the existing law. Section 304 (a) would restate the existing purposes in a single comprehensive provision which would recognize not only all general agricultural purposes, but, under rules and regulations of the Farm Credit Administration, also other requirements of the owner of the land to be mortgaged as security for the loan.

Basis of farm appraisal (sec. 304 (b))

The law now provides that a Federal land-bank loan may not exceed 65 percent of the normal value of the farm mortgaged, as ascertained by appraisal, and that "In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor." Section 304 (b) would amend the sentence to add that, "consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm."

Appraisals under the existing statutory standard have reflected to some extent the home advantages of the farm offered as security, as well as the availability of earnings from other dependable sources. However, under existing statutory restrictions these factors in many instances could not be sufficiently reflected in the appraisals so that

so-called part-time farms, the operators of which commonly avail themselves of other employment, could be deemed acceptable security for land-bank loans. The amendment made by section 304 (b) would enable the Federal land banks to extend their loan service to cover many of such part-time farm properties.

Loans to farming corporations (sec. 304 (c))

Since 1935, the Federal Farm Loan Act has included a provision that Federal land-bank loans may be made to a corporation engaged in the raising of livestock if at least 75 percent in value and number of shares of the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the farm to be mortgaged as security for the loan, and if the owners of at least 75 percent in value and number of shares of the stock of the corporation assume personal liability for the loan. The conditions applicable to livestock corporation loans make such loans available, for the most part, only to cases of closely held or family-type corporations. Section 304 (c) would amend the existing provision to authorize loans to corporations engaged in general farming operations if they meet the same requirements which now apply to corporations engaged in the raising of livestock.

Maximum loans (sec. 304 (d))

Under existing law the amount of land-bank loans to any one borrower is limited to \$100,000, but loans to any one borrower may not exceed \$25,000 unless approved by the Farm Credit Administration. Section 304 (d) of the bill would increase the maximum loan limit from \$100,000 to \$200,000, and require loans over \$100,000 to be approved by the Farm Credit Administration.

Deferment of installment payments (sec. 305)

Federal land-bank loans are required to be made on an amortization plan under which the loan will be repaid within an agreed period of not more than 40 years. The land banks now have authority to permit borrowers to defer the payment of principal installments on their loans in distress cases. The Federal Farm Loan Act also includes a provision which specifically authorizes the banks to permit a borrower to defer payment of the principal portions of installments on his loan in order that he may pay indebtedness secured by a lien junior to the lien of the bank upon the farmland mortgaged to secure his land-bank loan. Section 305 would permit deferments for other purposes for a period not exceeding 5 years under regulations prescribed by the Farm Credit Administration.

Legal reserves (sec. 306 (a))

Federal land banks.—Under existing law, each land bank is required to carry to reserve account semiannually a certain percentage of its net earnings (not less than 50 percent until said reserve equals its capital stock and thereafter 10 percent). There is no limitation on the total amount of legal reserve which is thus required to be established. Section 306 (a) would limit the legal reserve required to be accumulated by a Federal land bank to 150 percent of its outstanding capital stock, and permit any land bank having a legal reserve in excess of such 150 percent to withdraw such excess from the legal reserve account with the approval of the Farm Credit Administration.

National farm loan associations (sec. 306 (b)).—Under existing law, each national farm loan association is required to carry to reserve account semiannually a certain percentage of its net earnings (not less than 10 percent until said reserve equals 25 percent of its capital stock and thereafter 5 percent). As in the case of the Federal land banks, there is no limitation on the total amount of legal reserve which is thus required to be established. Section 306 (b) would limit the legal reserve required to be accumulated by a national farm loan association to 50 percent of its outstanding capital stock, and would permit any association having a legal reserve in excess of 50 percent of its outstanding capital stock to withdraw such excess from the legal reserve account with the approval of the Farm Credit Administration.

Effective date.—Section 306 (c) of the bill would make the new limitations on the legal reserves of land banks and farm loan associations effective on the next January 1, or July 1 whichever first occurs after enactment.

Examination costs of national farm loan associations (sec. 307)

Under existing law, the costs of examinations of the national farm loan associations by the Farm Credit Administration is assessed against and collected from the Federal land bank in the district, and there is no provision for recovery of such costs from the national farm loan associations. Section 307 would provide that such costs of examinations shall be apportioned to the national farm loan associations but shall continue to be assessed against and collected from the Federal land bank of the district, with the bank being authorized to collect such amounts from the associations in a manner approved by the Farm Credit Administration.

TITLE IV—MISCELLANEOUS PROVISIONS

Elections

Directors of district boards.—Section 401 (a) would amend section 5 (b) of the Farm Credit Act of 1937 to make ineligible for election to a district farm credit board any salaried officer or employee of the Farm Credit Administration or of any corporation operating under the supervision of the Farm Credit Administration. Any such officer or employee is now ineligible for appointment to membership on the district board. This amendment would not affect the term of office of any person serving on such board on the date of enactment of the bill.

Three of the 7 members of a district farm credit board are elected 1 each by 3 groups of associations in the district (national farm loan associations, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives). Each of these groups is entitled to elect an additional director to the district farm credit board to serve in lieu of an appointed district director (or third district director), whenever, as determined by the Farm Credit Administration, the Government capital devoted to such group has either been returned or reduced below a specified level. Under existing law, such an election may not be begun until the required determination is made by the Farm Credit Administration as of the date 3 months before the expiration of the term of office to which the additional elected director is to succeed. Section 401 (b) would change such determination date from 3 months

to 6 months before the expiration of the term to which the additional elected director is to succeed and permit the Farm Credit Administration to begin such elections as much as 3 months earlier, or at any time within 6 months before the expiration of the term.

Nominations for appointment to Federal Farm Credit Board (sec. 402 (a)).—Twelve of the 13 members of the Federal Board are appointed by the President after considering nominations by the 3 voting groups in each farm credit district. If there should be a tie in the final voting by any of the three voting groups, present law provides that the election procedure shall be repeated for the particular group until the tie is broken. Section 402 (a) would eliminate the present requirement of any further election to break such a tie and would provide instead that all persons so tied shall be considered designated as nominees.

Term of office of members of Federal Farm Credit Board (sec. 402 (b) (c))

The term of office of the appointed members of the Federal Farm Credit Board now begins on December 1. Section 402 (c) would extend existing terms of office 4 months so that in the future the term of office of all successors would begin on April 1. Since there is a provision in the existing law as to how long a member of such Board shall be eligible to serve, section 402 (b) of the bill would amend that provision to permit a member to serve an additional 4 months if his term is one which would be extended for 4 months.

Separability provision (sec. 403)

Section 403 of the bill contains the usual separability provision and reserves the right to alter, amend, or repeal the enacted bill.

CHANGES IN EXISTING LAW (H. R. 5168)

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is in italics, and existing law in which no change is proposed is shown in roman):

ACT OF JUNE 16, 1933

AN ACT To provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

SECTION 1. This Act shall be known as the "Farm Credit Act of 1933."

* * * * *

SEC. 21. The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by the Production Credit Corporations, and which may be purchased and held by investors, and (2) Class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No Class B stock or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association.

Each holder of Class B stock, within two years after he has ceased to be a borrower, shall exchange such Class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for Class A stock. [All stock shall share in dividend distributions without preference] *Dividends may be paid on Class A stock and Class B stock without preference or on Class A stock alone, as the board of directors of the association may determine*, but the directors of the association, may, in their discretion, apply the amount of any dividend payable to a holder of Class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation.

[SEC. 22. Each Production Credit Association shall, at the end of its fiscal year, apply the amount of earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and, fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation.]

SEC. 22. (a) *Each Production Credit Association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the Production Credit Corporation.*

(b) *A Production Credit Association may pay dividends of not to exceed 7 per centum per annum when such payments are approved by the Production Credit Corporation of the district and are consistent with policies established under regulations issued by the Farm Credit Administration.*

[SEC. 23. Each Production Credit Association shall under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the Governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 22 shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one borrower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21.]

SEC. 23. *Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the corporation. No borrower shall be indebted to the association at any one time in an amount in excess of 15 per centum of the capital and surplus of the association unless the loan has the prior approval of the corporation, or in excess of 35 per centum of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time*

the loan is made, Class B stock of the association in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5.00 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21 of this Act.

* * * * *

[Board of Central Bank

[SEC. 31. (a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Administration, who shall be chairman of the board of directors. The other six directors shall be appointed by the Governor, of whom the successors of the three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b). The terms of the directors first appointed shall be for one, two, and three years as designated by the Governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the Governor. No compensation shall be paid any director as a director of the corporation, but the corporation, subject to the approval of the Governor, may allow directors a reasonable per diem and expenses.

[(b) The successors of three of the directors first appointed shall be selected one each year by the Governor from among individuals nominated by borrowers (except Banks for Cooperatives). The Governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided, or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The Governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the Governor shall appoint the director.]

SEC. 31. Board of Directors of Central Bank. The Central Bank for Cooperatives shall have seven directors. Of this number four shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board and three shall be elected by the regional banks for cooperatives and cooperative associations: *Provided, That the terms of office of directors established prior to the effective date of title I of the Farm Credit Act of 1955 shall continue through the thirty-first day of December next following the effective date of said title I and shall expire at the end of that day. Three of the directors appointed by the Farm Credit Administration shall be appointed for terms of one year, two years, and three years respectively as designated at the time of appointment and the fourth appointed director shall be appointed for a term of three years and thereafter each appointed director shall be appointed for a term of three years. Any appointed director may be removed at pleasure at any time by the Farm Credit Administration. The Farm Credit Administration shall prescribe rules and regulations for the nominations and elections required by this section. Sufficiently in advance of the first day of January next following the effective date of title I of the Farm Credit Act of 1955, and at any time subsequent to the enactment thereof, the Farm Credit Administration shall take all action necessary in order to permit the elections hereby provided and shall group the several farm credit districts into three areas, each of which shall be comprised of four contiguous farm credit districts, and a director shall be elected from nominees from each of such areas by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote. The three elected directors shall be elected for terms of one year, two years, and three years respectively, as shall be designated by the Farm Credit Administration and thereafter elected directors shall be elected for terms of three years: Provided, That whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall equal or exceed 66 $\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of said bank as of the date six months before the expiration of the term of office of any appointed director, except the fourth appointed director, whose term next expires, the successor to such director shall be elected from nominees for a term of three years by regional banks for coopera-*

tives of the area and cooperative associations of the area eligible to vote on a basis of areas comprised of two contiguous farm credit districts as designated by the Farm Credit Administration. Appointed directors except the fourth appointed director shall continue to be replaced by elected directors in accordance with the foregoing provisions until the total number of elected directors shall be six, elected one from each of six such areas comprised of two contiguous farm credit districts. Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall not equal or exceed 66⅔ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of the bank as of the date six months before the expiration of the term of office of any elected director whose term next expires, the successor to such elected director shall, if the number of elected directors then exceeds three, be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board for a term of three years. In any such case where only one additional appointed director is needed in order to increase the total number of appointed directors to four, and the terms of office of more than one elected director next expire, the Farm Credit Administration shall designate the one of such next expiring terms of office which shall be replaced by the additional appointed director. Any vacancy in the board whether filled by appointment or by election shall be filled for the unexpired term in the same manner in which the vacant office was filled. Each regional bank for cooperatives, each cooperative association which is a direct borrower from the Central Bank, each holder of one or more shares of Class C stock in a regional bank for cooperatives which is eligible to vote under section 42 (a) (3), and each holder of one or more shares of stock in the Central Bank or any regional bank for cooperatives issued before the effective date of title I of the Farm Credit Act of 1955 which is eligible to vote shall be eligible to vote for directors of the Central Bank and each such holder shall be entitled to one vote only without regard to the number of shares held in any one or more of said banks, and the vote of any such holder of stock in more than one bank shall be cast only with respect to elections in the area in which is located the main office of such holder. Elected directors shall have been, for at least two years, residents of the area for which they are elected. No person shall be eligible for nomination, election or appointment as a director if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration or of any corporation operating under its supervision. Any person who is a member of the Federal Farm Credit Board or a district farm credit board when appointed or elected as director shall resign as a member of the Federal Farm Credit Board or the district board before assuming his duties as director of the Central Bank. No person who becomes such director shall be eligible to continue to serve if he becomes a member of the Federal Farm Credit Board or any district farm credit board or an officer or employee of the Farm Credit Administration or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration.

[Powers of Chairman and Board]

[SEC. 32. The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws.]

SEC. 32. Powers of Board of Directors of Central Bank. The board of directors of the Central Bank for Cooperatives shall elect a chairman and vice chairman from among its members. The powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws with the approval of the Farm Credit Administration: Provided, That said board without limitation of powers conferred by section 60 shall have power, subject to approval of the Farm Credit Administration, to appoint and fix the compensation of the chief executive officer and such other officers and employees, experts, and consultants as may be necessary for the efficient conduct of the bank's business: Provided further, That the chief executive officer of the bank shall not be an officer or employee of the Farm Credit Administration.

SEC. 33. The capital stock of the Central Bank shall be in such amount as the Governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this title, and the Governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 35 and 37, in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 6 of the Agricultural Marketing Act, as amended, the Governor, on behalf of the United States, shall subscribe for and make payments for stock in

the Central Bank and such payments shall be subject to call in whole or in part by the [chairman of the board] *board of directors* of the Central Bank with the approval of the Governor.

SEC. 34. Subject to such terms and conditions as may be prescribed by the [chairman of its board of directors] *Farm Credit Administration*, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 2 of this Act; (c) to buy from, and sell to any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, the Central Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures located in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by such bank: *Provided*, That the cooperative association which has applied for any loan shall have furnished to such bank an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures were not additions to existing structures or two years if such structures are additions to existing structures.

[Stock Subscriptions of Borrowers From Central Bank]

[SEC. 35. (a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan, except that, in connection with any loan made on the security of commodities, the borrower shall be required to own, at the time the loan is made, only such amount of stock as may be prescribed by rules and regulations of the Governor. Upon discharge of the loan, stock held by the borrowing association may be, and upon the concurrent or subsequent request of the borrowing association shall be, retired and canceled, and the association shall be paid therefor an amount equal to the amount paid for such stock or loaned to subscribe therefor, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the Chairman of the Board of the Central Bank.

[(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in stock if such association had been authorized to hold such stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock.

[(c) In any case where the debt of a borrower to the Central Bank is in default, the bank may, in accordance with rules and regulations prescribed by the governor, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof (not exceeding par), in total or partial liquidation of the debt, as the case may be.]

Sec. 35. Application of regional bank stock provisions to Central Bank. All provisions of law with respect to Class A, Class B, and Class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the Central Bank shall be required to own at the time the loan is made at least one share of Class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in Class C stock in such regional bank or banks as the Farm Credit Administration shall designate an amount equal to not less than

10 nor more than 25 per centum, as prescribed by the board of directors of the Central Bank with the approval of the Farm Credit Administration, of the amount of interest payable by such borrower to the Central Bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of such borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during such year. The regional bank whose stock is so issued to such borrower shall purchase a corresponding amount of Class C stock in the Central Bank.

[Earnings and Reserves of Central Bank]

[SEC. 36. The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum shall be paid. Dividends on stock held by the Governor, when paid, shall be credited to the revolving fund created under section 6 of the Agricultural Marketing Act, as amended.]

SEC. 36. (a) Application of savings. Each bank for cooperatives, at the end of each fiscal year, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 per centum of any remaining savings shall be used to create and maintain a surplus account; (3) if said bank shall have outstanding capital stock held by the United States during the whole or any part of the fiscal year, it shall not pay to the United States as a franchise tax, a sum equal to 25 per centum of its net savings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of Treasury; (4) reasonable contingency reserves may be established; (5) dividends on Class B stock may be declared as provided in section 42 (a) (2); and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (b) of this section: Provided, That any patronage refunds received by a regional bank from the Central Bank shall be excluded from net savings of the regional bank for the purpose of computing such franchise tax. Amounts applied as provided in (2) and (4) above after the effective date of title I of the Farm Credit Act of 1955 shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year, any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceeds 25 per centum of the sum of all its outstanding capital stock, the bank may distribute in the same manner as a patronage refund any part or all of such excess which has been allocated. In making such distributions, the oldest outstanding allocations shall be distributed first. Wherever used in this Act, the words "surplus account" as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 and any amounts applied as provided in (2) above after the effective date of said title I. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this section and may be further subdivided as prescribed by the Farm Credit Administration. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of Class C stock; and fifth, the impairment of all other stock.

(b) Patronage refunds. The patronage refunds of each regional bank for cooperatives shall be paid in Class C stock to borrowers, as defined by the Farm Credit Administration for the purposes of this subsection, during the fiscal year for which the refunds are declared. Patronage refunds of the Central Bank for Cooperatives shall

be paid in Class C stock to the regional banks for cooperatives upon the basis of interests held by the Central Bank in loans made by the regional banks and upon direct loans made by the Central Bank to cooperative associations; and any part of such refunds derived from such direct loans of the Central Bank shall be paid in Class C stock issued to the regional bank or banks which issued to the borrower the stock incident to the loans, or to a regional bank or banks designated by the Farm Credit Administration, and such bank or banks shall issue a like amount of Class C stock to the borrowers. All patronage refunds shall be paid in the proportion that the amount of interest earned on the loans of each borrower bears to the total interest earned on the loans of all borrowers during the fiscal year.

(c) *Application of assets on liquidation or dissolution.* In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all Class A stock at par, and all Class B stock at par; and third, of all Class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, Class A stock and Class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration.

* * * * *

SEC. 38. The Governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations as between the two types of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of this title and title IV to borrowers. After the effective date of title I of the Farm Credit Act of 1955 any amendment in the terms of the charter issued to any bank for cooperatives and any regulation issued under authority of this section or otherwise affecting lending operations of any such bank shall be consistent with the principle that the Central Bank shall make loans only in cases where it is not practicable for the loan to be made by a regional bank.

* * * * *

SEC. 41. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to any bank organized under this Act; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, each Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by the Bank for Cooperatives to whom application is made for the loan: *Provided*, That the cooperative association which has applied for any loan shall have furnished to the Bank for Cooperatives an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures.

Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit

Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank.

【Stock Subscriptions and Earnings and Reserves

【SEC. 42. The provisions of section 35, as amended, and the provisions of section 36, as amended, shall apply in the case of Banks for Cooperatives in the same manner and to the same extent as such provisions are applicable to the Central Bank for Cooperatives, except that powers conferred on the Chairman of the Board of the Central Bank for Cooperatives shall be exercised by the Boards of Directors of the Banks for Cooperatives, subject to the approval of the Farm Credit Administration.】

SEC. 42. (a) Classes of stock; ownership; voting rights; dividends; and retirement of stock. Except as provided in section 12 of the Farm Credit Act of 1955, each regional bank for cooperatives shall have the following classes of stock, all of which shall have a par value of \$100 per share:

(1) Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States, and stock of such banks held by the Governor on the effective date of the Farm Credit Act of 1955 shall be exchanged, share for share, for Class A stock of the respective banks. Class A stock shall be nonvoting and no dividends shall be paid thereon. At the end of each fiscal year, each of such banks, subject to the provisions of sections 33 and 40, shall determine the amount of Class A stock that shall be retired at par by that bank. The minimum amount of Class A stock that shall be retired shall be the equivalent in dollar value of the amount of Class C stock issued for that year, except that Class C stock issued by a regional bank on account of Class C stock issued to it by the Central Bank, Class C stock issued by a regional bank in exchange for Class B stock the proceeds of which were used to retire an equivalent amount of Class A stock, and Class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of the Farm Credit Act of 1955, shall not be included in such bank's calculation. Any amount of Class A stock retired in any one year in excess of the minimum amount required to be retired may be used to reduce to the extent of such excess the amount of such stock required to be retired in any subsequent year. Funds from the retirement of Class A stock shall be paid into the revolving fund authorized by the Agricultural Marketing Act, as amended, and shall continue to be available for the purchase of Class A stock in the banks in accordance with sections 33 and 40.

(2) Class B stock may be issued in series and amounts approved by the Farm Credit Administration, and may be sold or transferred to any person subject to the approval of the issuing bank. Such stock shall be issued only at par and shall be nonvoting. Any bank may pay dividends of not to exceed 4 per centum per annum on Class B stock if declared by the board of directors and approved by the Farm Credit Administration and if the surplus account of the bank, after payment of such dividends, will not be less than 25 per centum of the sum of all its outstanding capital stock. Dividends on Class B stock shall not be cumulative, but no bank shall distribute in any year any of its net savings as patronage refunds as provided in section 36 (a) unless for that year a dividend of at least 2 per centum is declared and paid upon outstanding Class B stock of the bank. Each series of Class B stock shall be issued only with the approval of the Farm Credit Administration and shall carry on the face of each certificate a statement of the maximum dividend which may be declared and paid thereon and of the minimum dividend which shall be declared and paid thereon before the bank may distribute any of its net savings as patronage refunds: Provided, That such maximum and minimum dividends may be the same amount. After all Class A stock has been retired, Class B stock may be called for retirement at par with the approval of the Farm Credit Administration and shall be called in such manner that the oldest outstanding stock at any given time will be retired first. Any holder of Class B stock whose stock has been called for retirement may elect, with the approval of the issuing bank, to leave his stock in the bank subject to its being included in the next call for retirement.

(3) Class C stock, except as approved by the Farm Credit Administration and consented to by the issuing bank, may be issued only to banks for cooperatives and farmers' cooperative associations as defined in section 15 (a) of the Agricultural Marketing Act, as amended. Such stock may be issued in fractional shares, shall be issued at its fair book value not exceeding par, as determined by the bank, and no dividends shall be paid on it. Each holder of one or more shares of Class C stock which is eligible to borrow from a bank for cooperatives shall be entitled to one vote only: Provided, That any such holder which within the period of two years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting has not been a borrower from a bank of which it holds Class C stock shall

not be entitled to vote. From time to time each bank for cooperatives shall obtain information concerning its Class C stockholders to determine whether they continue to be eligible to borrow from the bank and to vote. Any Class C stockholder found by the bank to be ineligible to borrow shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank. Whenever in section 5 of the Farm Credit Act of 1937, as amended, and section 4 (a) of the Farm Credit Act of 1953, provision is made for a nomination or election by cooperatives which are stockholders or subscribers to the guaranty fund of any bank for cooperatives the term "cooperatives which are stockholders or subscribers to the guaranty fund" or the equivalent of that term, shall mean such cooperatives which are eligible to vote. Each borrower from a bank for cooperatives shall be required to own at the time the loan is made at least one share of Class C stock. The purchase price of such stock may be retained out of the loan. In addition, each borrower as defined by the Farm Credit Administration for purposes of this sentence, shall be required to invest quarterly in Class C stock an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the bank with the approval of the Farm Credit Administration, of the amount of interest payable by it to the bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of the borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during the year. Each regional bank shall purchase at least one share of Class C stock of the Central Bank. In addition, the regional bank shall be required to invest quarterly in Class C stock of the Central Bank an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the Central Bank with the approval of the Farm Credit Administration, of the amount of interest payable by the regional bank to the Central Bank during the calendar quarter by reason of any interest purchased by the Central Bank in a loan made by the regional bank. Payments for such stock shall be made to the Central Bank and the stock shall be issued to the regional bank in the same manner, insofar as practicable, as is provided in this section for payments for and issuance of stock on account of loans by the regional bank in which the Central Bank does not purchase any interest. Subject to rules prescribed by the board of directors of the lending bank with the approval of the Farm Credit Administration, a borrower may convert Class B stock into Class C stock for the purpose of making the investment in Class C stock required by this paragraph. After retirement of all Class A stock Class C stock also may be retired at par by calling the oldest outstanding Class C stock but Class C stock that was issued for a fiscal year period shall not be called for retirement until all Class B stock that was issued during or prior to that fiscal year has been called for retirement.

(b) *Guaranty fund subscriptions in lieu of stock.* If a cooperative association is not authorized under the laws of the State in which it is organized to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit to the guaranty fund, a sum equal to the amount of Class C stock which the association would otherwise be required by subsection (a) (3) of this section to own at the time the loan is made and to purchase thereafter. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of Class B stock, and shall receive credits to such fund in lieu of patronage refunds payable in Class C stock. Each reference in this Act to capital stock or Class B or Class C stock shall include also the guaranty fund equivalents of such stock, and, to the extent permitted under the laws of a State in which a cooperative association is organized, a holder of guaranty fund equivalents of either Class B or Class C stock shall have the same rights and status as a holder of Class B or Class C stocks, respectively. The rights and obligations of the bank as respects such guaranty fund equivalents shall be identical to its rights and obligations as respects Class B or Class C stock, respectively.

(c) *Lien on stock.* Except as hereinafter provided in the case of an association which is a direct borrower from the Central Bank, each bank for cooperatives shall have a first lien on all stock in the bank owned by each cooperative association as additional collateral for any indebtedness of such association to the bank. In the case of an association which is a direct borrower from the Central Bank, the Central Bank shall have a first lien on any amount of Class C stock which the borrowing association owns in any regional bank on account of direct loans of such association from the Central Bank; and the regional bank shall have a lien on such stock junior only to the lien of the Central Bank. In any case where the debt of a borrower is in default, the bank may, in accordance with regulations of the Farm Credit Administration, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof, not exceeding par, in total or partial liquidation of the debt, as the case may be, and,

to the extent required, corresponding shares held by a regional bank in the Central Bank shall be retired.

(d) Calculation of proportionate interests in banks. For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term "capital stock and subscriptions to the guaranty fund held by cooperatives" or the equivalent of that term shall also mean all outstanding Class B and Class C stock and the guaranty fund equivalents thereof.

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SEC. 63. The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this Act, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the Class A stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired.

* * * * *

SEC. 65. Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or [regional] Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the Governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank, association, or corporation may, with the consent of the Governor, liquidate voluntarily, but only in accordance with such rules and regulations as the Governor may prescribe.

[SEC. 66. No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation in excess of \$13,800 per annum.]

ACT OF JUNE 15, 1929

AN ACT To establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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SEC. 8. [(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall from time to time determine to be necessary for the needs of the lending agencies and shall by regulation prescribe (but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal): *Provided, however,* That the rate of interest on any loan made under the provisions of section 7 (a) (1) hereof, other than upon the security of commodities, shall conform as nearly as may be practicable to a rate 1 per centum in excess of the prevailing interest rate paid by production credit associations to the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; the rate of interest on any loan made upon the security of commodities shall conform, as nearly as may be practicable, to the prevailing interest rate on commodity loans charged borrowers from the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; and that the rate of interest on any loan made under the provisions of section 7 (a) (2) hereof shall conform as nearly as may be practicable to the prevailing rate on mortgage loans made to members of national farm loan associations.]

(a) *Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.*

* * * * *

ACT OF AUGUST 6, 1953

AN ACT To increase farmer participation in ownership and control of the Federal Farm Credit System; to create a Federal Farm Credit Board; to abolish certain offices; to impose a franchise tax upon certain farm credit institutions; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE —

SECTION 1. This Act may be cited as the "Farm Credit Act of 1953".

* * * * *

SEC. 4. (a) There shall be established, in the Farm Credit Administration, a Federal Farm Credit Board (hereinafter referred to as the "Board"). Said Board shall consist of thirteen members. Twelve of the members, one from each of the farm credit districts of the United States, shall be known as appointed members and shall be appointed by the President with the advice and consent of the Senate. In making appointments to the Board the President shall have due regard to a fair representation of the public interest, the welfare of all farmers and the various types of cooperative agricultural credit interests; shall give special consideration to persons who are experienced in cooperative agricultural credit; and shall, before making such appointments, receive and consider nominations made as follows: The national farm loan associations in the district shall designate one nominee, the production credit associations in the district shall designate one nominee, and the cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district shall designate one nominee, in accordance with the procedure prescribed in sections 5 (e) and 5 (f) of the Farm Credit Act of 1937 for the nomination and election of members of a district farm credit board, except that only the two persons receiving the highest number of votes shall be included in the list of nominees prepared as a result of the voting under the procedure prescribed in said section 5 (e): *Provided*, That the names of all those who are tied for second place as a result of said voting shall be included in the list; and in case of a tie in the voting under the procedure prescribed in said section 5 (f) [the procedure prescribed therein shall be followed again until the tie is broken] *all persons so tied shall be considered designated as nominees: And provided further*, That if the same person would otherwise be on the list of nominees of more than one of said groups as a result of the voting under said section 5 (e) he may choose the one list on which his name shall appear, and otherwise his name shall appear only on the list of the two highest nominees of the group which gave him the highest percentage of its votes. Subsequent appointments shall be made after receiving and considering nominations made in like manner.

(b) Each appointed member of said Board shall be a citizen of the United States and shall have been a resident of the farm credit district from which appointed for not less than ten years next preceding his appointment, and the removal of residence from the district during his tenure shall operate as a termination of his membership on said Board. No appointed member of said Board shall be eligible to serve for more than one full term of six years, and, in addition, a term of less than six years if he is one of the first members to be appointed, or is appointed to fill, the unexpired portion of one term expiring before his appointment to a full term, *except that one full term of six years shall be considered to include an additional four months if the particular term is one which was legally extended for an additional four months*. No person shall be eligible for nomination or appointment to membership as an appointed member on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration. Any person who is a member of the district farm credit board when appointed as a member of the Federal Farm Credit Board shall resign as a member of the district board before assuming his duties as a member of the Federal Farm Credit Board. No person who becomes an appointed member of said Board shall be eligible to continue to serve as a member thereof if such person becomes a member of any district farm credit board, or an officer or employee of

the Farm Credit Administration, or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration.

(c) The term of office of the appointed members of said Board shall be six years, beginning with the first day of the calendar month in which this Act takes effect, and such members shall serve until their successors are duly appointed and qualified; however, of the first appointed members appointed hereunder, two shall be appointed for a term of one year from said date, two for a term of two years, two for a term of three years, two for a term of four years, two for a term of five years, and two for a term of six years. All vacancies in the offices of appointed members on said Board shall be filled for the unexpired portion of the term upon like nominations and by like appointments as herein provided for the appointment of the first such members of said Board. *All terms of office which otherwise would expire on November 30 of any year following enactment of the Farm Credit Act of 1955 are extended four months to expire on the following March 31 so that the term of office of all successors to the terms so extended shall begin with the first day of April.*

* * * * *

SEC. 7. (a) The offices of the Land Bank Commissioner, Production Credit Commissioner, Cooperative Bank Commissioner, and Intermediate Credit Commissioner are hereby abolished. [The Governor shall designate an officer or employee of the Farm Credit Administration to serve at the pleasure of the Governor as a member of the board of directors of the Central Bank for Cooperatives, as chairman of said board of directors, and as executive officer of said bank, in lieu of the Cooperative Bank Commissioner.] The Governor shall designate an officer or employee of the Farm Credit Administration to serve at the pleasure of the Governor as a member of the board of directors of the Federal Farm Mortgage Corporation, in lieu of the Land Bank Commissioner. The Federal Farm Mortgage Corporation and its functions and activities are hereby transferred to the Farm Credit Administration and shall be administered therein under the general direction and supervision thereof.

ACT OF JANUARY 23, 1932

AN ACT To amend the Federal Farm Loan Act, as amended, to provide for additional capital for Federal land banks, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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SEC. 6. The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of the Federal Farm Loan Act, *the Farm Credit Act of 1933*, and/or any Act or Acts amendatory thereof or supplementary thereto.

ACT OF JULY 17, 1916

AN ACT To provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be "The Federal Farm Loan Act."

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SEC. 3.

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[The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said administration.]

The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out by each such association or bank and transmitted to said administration as required by it.

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SEC. 5.

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[It shall be the duty of the Secretary of the Treasury on behalf of the United States, upon the request of the board of directors of any Federal land bank made with the approval of the Farm Credit Administration, to subscribe from time to time for capital stock of such bank in an amount or amounts specified in such approval or approvals, such subscriptions to be subject to call in whole or in part by the board of directors of said bank upon thirty days' notice with the approval of the Farm Credit Administration. The Secretary of the Treasury is hereby authorized and directed to take out and pay for shares having an aggregate par value equal to the amounts so called; and to enable the Secretary of the Treasury to pay for stock issued hereunder there is hereby authorized to be appropriated the sum of \$125,000,000 such stock to be nonvoting. Shares of stock issued pursuant to this paragraph shall be paid off at par and retired in the same manner as the original capital stock of said bank after said original stock outstanding, if any, has been paid off and retired: *Provided, however,* That stock issued pursuant to this paragraph may at any time, in the discretion of the directors and with the approval of the Farm Credit Administration, be paid off at par and retired in whole or in part; and that said Administration may at any time require such stock to be paid off at par and retired in whole or in part if in the opinion of the Administration the bank has resources available therefor. The proceeds of all repayments on account of stock issued pursuant to this paragraph shall be held in the Treasury of the United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this paragraph.]

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SEC. 7.

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It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this Act prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the by-laws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this Act, which shall cover prompt collection and transmission of funds. [He shall make a quarterly report to the Farm Credit Administration upon forms to be provided for that purpose.] *He shall make a report to the Farm Credit Administration as required by it upon forms to be provided for that purpose:* Upon request from said Administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said Administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office.

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SEC. 8.

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Every national farm loan association formed under this Act shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this

Act. [Such increases shall be included in the quarterly reports to the Farm Credit Administration.]

* * * * *

SEC. 10.

* * * * *

Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this Act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this Act, if otherwise qualified thereunder: Provided, That, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this Act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons.

* * * * *

SEC. 12.

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Fourth. [Such loans may be made for the following purposes and for no other:

[(a) To provide for the purchase of land for agricultural uses.

[(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Farm Credit Administration.

[(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Farm Credit Administration.

[(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred at least two years prior to the date of the application for the loan.

[(e) To provide the owner of the land mortgaged with funds for general agricultural uses.]

Such loans may be made for general agricultural purposes and other requirements of the owner of the land mortgaged, under rules and regulations of the Farm Credit Administration.

Fifth. No such loan shall exceed 65 per centum of the normal value of the farm mortgaged, said value to be ascertained by appraisal, as provided in section 10 of this Act. In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor; and, consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm.

* * * * *

Sixth. No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term "person" includes an individual or a corporation engaged in [the raising of livestock] farming operations; and (2) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless

all the stock of the corporation is owned by individuals themselves personally actually engaged in [the raising of livestock] *farming operations* on the farm to be mortgaged as security for the loan, except in a case where the [Land Bank Commissioner] *Farm Credit Administration* permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for.

Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of [\\$100,000] *\\$200,000*, but loans to any one borrower shall not exceed [\\$25,000] *\\$100,000* unless approved by the [Land Bank Commissioner] *Farm Credit Administration*, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under.

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SEC. 13.

* * * * *

Nineteenth. To permit any borrower to defer payment of the principal portions of installments on his loan in order that he may pay, in whole or in part, any indebtedness which is secured by a lien junior to the lien of the bank upon the farmland mortgaged to secure his loan. *Such a deferment may be permitted for other purposes for a period not exceeding five years under regulations prescribed by the Farm Credit Administration.*

* * * * *

SEC. 23. [That every Federal land bank, and every joint stock land bank, shall semiannually carry to reserve account twenty-five per centum of its net earnings until said reserve account shall show a credit balance equal to twenty per centum of the outstanding capital stock of said land bank. Whenever said reserve shall have been impaired, said balance of twenty per centum shall be fully restored before any dividends are paid. After said reserve has reached the sum of twenty per centum of the outstanding capital stock, five per centum of the net earnings shall be annually added thereto. For the period of two years from the date when any default occurs in the payment of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account.

[After deducting the twenty-five per centum or the five per centum hereinbefore directed to be deducted for credit to reserve account, any Federal land bank or joint stock land bank may declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided*, That any dividend or dividends declared by any joint-stock land bank shall be subject to the approval of the Farm Credit Administration. The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Federal Farm Loan Board.

[Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. After deducting the 50 per centum or the 10 per centum herein directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Federal Farm Loan Board. In the case of Federal land banks the requirements of this paragraph shall be in lieu of the requirements of the first three sentences of the first paragraph of this section and in lieu of the requirements of the first sentence of the second paragraph of this section.]

Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually until said reserve account shall show a credit

balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid.

After deducting the 50 per centum or the 10 per centum hereinbefore directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration.

The reserves of land banks shall be invested in accordance with rules and regulations prescribed by the Farm Credit Administration.

* * * * *

SEC. 24. Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration.

ACT OF SEPTEMBER 21, 1944

AN ACT To provide for the control and eradication of certain animal and plant pests and diseases, to facilitate cooperation with the States in fire control, to provide for the more efficient protection and management of the national forests, to facilitate the carrying out of agricultural conservation and related agricultural programs, to facilitate the operation of the Farm Credit Administration and the Rural Electrification Administration, to aid in the orderly marketing of agricultural commodities, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

* * * * *

SEC. 601. (a) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate for the ensuing fiscal year the cost of examinations of the [joint-stock land banks,] Federal land banks, national farm-loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations; shall apportion the amount so determined among the [joint-stock land banks,] Federal land banks, national farm loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations on such equitable basis as said Administration shall determine; and shall assess against and collect in advance the amount so apportioned from the banks, corporations, and other organizations among which the apportionment is made, except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration.

ACT OF AUGUST 19, 1937

AN ACT To amend the Federal Farm Loan Act, to amend the Emergency Farm Mortgage Act of 1933, to amend the Farm Credit Act of 1933, to amend the Federal Farm Mortgage Corporation Act, to amend the Agricultural Marketing Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1937".

SEC. 5.

* * * * *

(b) There shall be in each farm credit district a farm credit board which shall be selected as hereinafter specified and shall be composed of seven members. Each farm credit board shall include in its title the name of the city in which the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives of the district are located. Three of the seven members of said board shall be known as elected directors, of whom one shall be chosen by national farm loan associations, one shall be chosen by production

credit associations of the district, and one shall be chosen by cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives in the district. Subject to the other provisions hereof, three of the seven members shall be known as district directors and shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board. The seventh member of such board shall be known as director-at-large and shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board. **[No person shall be eligible hereafter for nomination or appointment to membership as an appointed member on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration.]** *After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration.* Each farm credit board shall elect from its members a chairman and vice chairman, and shall appoint a secretary from within or without its membership as it may see fit. The chairman, vice chairman, and secretary shall each be elected for a term of one year and until their successors are elected and take office and the board shall elect such officers each year. The chairman shall preside at all meetings and the vice chairman shall preside in the absence or disability of the chairman. The board may, in the absence of both the chairman and vice chairman, elect a member to act as chairman pro tempore.

* * * * *

(d)

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(2) Notwithstanding the above provision with respect to the appointment of district directors, one additional member of said board shall be elected by each of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district), and serve in lieu of a district director, under the following circumstances and conditions:

(A) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by national farm loan associations, surplus and reserves of a Federal land bank shall equal or exceed 66⅔ per centum of the total of the capital stock, surplus, and reserves of such bank as of the date **[three months]** *six months* before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the national farm loan associations of the district in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date **[three months]** *six months* before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further*, That such national farm loan associations shall again and from time to time elect one additional director as aforesaid if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

(B) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by persons other than the production credit corporation of the district, surplus, and reserves of the production credit associations (collectively) of a farm credit district shall equal or exceed 66⅔ per centum of the total of the capital stock, surplus, and reserves of the production credit associations (collectively) of said district as of the date **[three months]** *six months* before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the production credit associations of the district in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from

term to term while such conditions obtain: *Provided*, That, if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date [three months] *six months* before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further*, That such production credit associations shall again and from time to time elect one additional director as aforesaid, if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

(C) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund held by cooperatives which are stockholders or subscribers to the guaranty fund of a regional bank for cooperatives, surplus and reserves of said bank shall equal or exceed 66⅔ per centum of the total capital stock, subscriptions to the guaranty fund, surplus and reserves of said bank as of the date [three months] *six months* before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the cooperatives which are stockholders or subscribers to the guaranty fund of said bank in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date [three months] *six months* before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *Provided further*, That such cooperatives which are stockholders or subscribers to the guaranty fund of said bank shall again and from time to time elect one additional director as aforesaid if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid: *Provided further*, That at no time and under no conditions shall there be in office less than one or more than two members of said board who are serving by election of any one of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district): *And provided further*, That if two or more of said groups shall, under the terms and provisions hereof, become qualified to elect an additional director pending the expiration of the term of office of the district director (or third district director) whose term next expires, preference shall be given, first to national farm loan associations and borrowers through agencies, next to production credit associations, and next to cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives, to elect an additional director as herein provided as the terms of office of district directors, including the third district director if he be still in office, expire.

(3) In any district which includes more than one State no person shall be eligible to be elected by any group if he is a resident of the same State as the other member elected by such group and then serving. If two directors are to be elected at the same election in any such district by any group, the election of the director to be elected by such group under section 5 (b) shall be first determined, and the person receiving the most votes for election under section 5 (d) (2) who is not a resident of the same State as the director elected under section 5 (b) shall be declared elected.

(4) As directed by the Farm Credit Administration, the election of a director under section 5 (d) (2) by any group may be begun any time within six months before the expiration of the term of office to which the director is to succeed, subject to the required determination being made as of the date six months before the expiration of such term of office that a director so elected by such group is to serve in lieu of a district director (or third district director).

Union Calendar No. 236

84TH CONGRESS
1ST SESSION

H. R. 5168

[Report No. 863]

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 1955

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

JUNE 20, 1955

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1955".

5 TITLE I—BANKS FOR COOPERATIVES

6 SEC. 101. Section 42 of the Farm Credit Act of 1933,
7 as amended, is amended to read as follows:

1 “SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP;
2 VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF
3 STOCK.—Except as provided in section 111 of the Farm
4 Credit Act of 1955, each regional bank for cooperatives shall
5 have the following classes of stock, all of which shall have a
6 par value of \$100 per share:

7 “(1) Class A stock shall be issued to and held by the
8 Governor of the Farm Credit Administration on behalf of
9 the United States, and stock of such banks held by the
10 Governor on the effective date of title I of the Farm Credit
11 Act of 1955 shall be exchanged, share for share, for class
12 A stock of the respective banks. Class A stock shall be non-
13 voting and no dividends shall be paid thereon. At the end
14 of each fiscal year, each of such banks, subject to the pro-
15 visions of sections 33 and 40, shall determine the amount
16 of class A stock that shall be retired at par by that bank.
17 The minimum amount of class A stock that shall be retired
18 shall be the equivalent in dollar value of the amount of
19 class C stock issued for that year, except that class C stock
20 issued by a regional bank on account of class C stock issued
21 to it by the central bank, class C stock issued by a regional
22 bank in exchange for class B stock the proceeds of which
23 were used to retire an equivalent amount of class A stock.
24 and class C stock issued by a regional bank in exchange

1 for capital stock of the bank outstanding on the effective
2 date of title I of the Farm Credit Act of 1955, shall not
3 be included in such bank's calculation. Any amount of
4 class A stock retired in excess of such minimum amount in
5 one year may be used to reduce to that extent the amount
6 of such stock required to be retired in any subsequent year.
7 Funds from the retirement of class A stock shall be paid
8 into the revolving fund authorized by the Agricultural Mar-
9 keting Act, as amended, and shall continue to be available
10 for the purchase of class A stock in the banks in accordance
11 with sections 33 and 40.

12 “(2) Class B stock may be issued in series and amounts
13 approved by the Farm Credit Administration, and may be
14 sold or transferred to any person subject to the approval
15 of the issuing bank. Such stock shall be issued only at par
16 and shall be nonvoting. Any bank may pay dividends of
17 not to exceed 4 per centum per annum on class B stock
18 if declared by the board of directors and approved by the
19 Farm Credit Administration and if the surplus account of
20 the bank, after payment of such dividends, will not be less
21 than 25 per centum of the sum of all its outstanding capital
22 stock. Dividends on class B stock shall not be cumulative,
23 but no bank shall distribute in any year any of its net
24 savings as patronage refunds as provided in section 36 (a)

1 unless for that year a dividend of at least 2 per centum
2 is declared and paid upon outstanding class B stock of the
3 bank. Each series of class B stock shall be issued only
4 with the approval of the Farm Credit Administration and
5 shall carry on the face of each certificate a statement of
6 the maximum dividend which may be declared and paid
7 thereon and of the minimum dividend which shall be de-
8 clared and paid thereon before the bank may distribute
9 any of its net savings as patronage refunds: *Provided*,
10 That such maximum and minimum dividends may be the
11 same amount. After all class A stock has been retired,
12 class B stock may be called for retirement at par with the
13 approval of the Farm Credit Administration and shall be
14 called in such manner that the oldest outstanding stock at
15 any given time will be retired first. Any holder of class
16 B stock whose stock has been called for retirement may
17 elect, with the approval of the issuing bank, to leave his
18 stock in the bank subject to its being included in the next
19 call for retirement.

20 “(3) Class C stock, except as approved by the Farm
21 Credit Administration and consented to by the issuing bank,
22 may be issued only to banks for cooperatives and farmers’
23 cooperative associations as defined in section 15 (a) of the
24 Agricultural Marketing Act, as amended. Such stock may

1 be issued in fractional shares, shall be issued at its fair book
2 value not exceeding par, as determined by the bank, and no
3 dividends shall be paid on it. Each holder of one or more
4 shares of class C stock which is eligible to borrow from a
5 bank for cooperatives shall be entitled to one vote only:
6 *Provided*, That any such holder which within the period of
7 two years next preceding a date, fixed by the Farm Credit
8 Administration, prior to commencement of the voting has not
9 been a borrower from a bank of which it holds class C stock
10 shall not be entitled to vote. From time to time each bank
11 for cooperatives shall obtain information concerning its class
12 C stockholders to determine whether they continue to be
13 eligible to borrow from the bank and to vote. Any class C
14 stockholder found by the bank to be ineligible to borrow
15 shall not be entitled to vote until its eligibility is reestab-
16 lished to the satisfaction of the bank. Whenever in section
17 5 of the Farm Credit Act of 1937, as amended, and section 4
18 (a) of the Farm Credit Act of 1953, provision is made for a
19 nomination or election by cooperatives which are stock-
20 holders or subscribers to the guaranty fund of any bank for
21 cooperatives the term 'cooperatives which are stockholders
22 or subscribers to the guaranty fund' or the equivalent of that
23 term, shall mean such cooperatives which are eligible to vote.
24 Each borrower from a bank for cooperatives shall be required

1 to own at the time the loan is made at least one share of
2 class C stock. The purchase price of such stock may be
3 retained out of the loan. In addition, each borrower as
4 defined by the Farm Credit Administration for purposes of
5 this sentence, shall be required to invest quarterly in class
6 C stock an amount equal to not less than 10 nor more than
7 25 per centum, as prescribed by the board of directors of
8 the bank with the approval of the Farm Credit Administra-
9 tion, of the amount of interest payable by it to the bank
10 during the calendar quarter. Payments for such stock shall
11 be made quarterly or when the regular interest payments
12 of the borrower are payable, but the stock shall be issued
13 to the borrower as of the end of each fiscal year in the amount
14 of the payments for stock made by it during the year. Each
15 regional bank shall purchase at least one share of class C
16 stock of the central bank. In addition, the regional bank
17 shall be required to invest quarterly in class C stock of the
18 central bank an amount equal to not less than 10 nor more
19 than 25 per centum, as prescribed by the board of directors
20 of the central bank with the approval of the Farm Credit
21 Administration, of the amount of interest payable by the
22 regional bank to the central bank during the calendar quarter
23 by reason of any interest purchased by the central bank in
24 a loan made by the regional bank. Payments for such stock
25 shall be made to the central bank and the stock shall be

1 issued to the regional bank in the same manner, insofar as
2 practicable, as is provided in this section for payments for
3 and issuance of stock on account of loans by the regional
4 bank in which the central bank does not purchase any
5 interest. Subject to rules prescribed by the board of directors
6 of the lending bank with the approval of the Farm Credit
7 Administration a borrower may convert class B stock into
8 class C stock for the purpose of making the investment in
9 class C stock required by this paragraph. After retirement
10 of all class A stock, class C stock also may be retired at par
11 by calling the oldest outstanding class C stock, but class C
12 stock that was issued for a fiscal year period shall not be
13 called for retirement until all class B stock that was issued
14 during or prior to that fiscal year has been called for
15 retirement.

16 “(b) GUARANTY FUND SUBSCRIPTIONS IN LIEU OF
17 STOCK.—If a cooperative association is not authorized under
18 the laws of the State in which it is organized to take stock
19 in the bank, the bank shall, in lieu thereof, require the asso-
20 ciation to pay into or have on deposit in a guaranty fund of
21 the bank, or the bank may retain out of the amount of the
22 loan and credit to the guaranty fund, a sum equal to the
23 amount of class C stock which the association would other-
24 wise be required by subsection (a) (3) of this section to
25 own at the time the loan is made and to purchase thereafter.

1 Any such association may make additional payments into
2 the guaranty fund from time to time in lieu of the purchase
3 of class B stock, and shall receive credits to such fund in
4 lieu of patronage refunds payable in class C stock. Each
5 reference in this Act to capital stock or class B or class C
6 stock shall include also the guaranty fund equivalents of
7 such stock, and, to the extent permitted under the laws of
8 a State in which a cooperative association is organized, a
9 holder of guaranty fund equivalents of either class B or class
10 C stock shall have the same rights and status as a holder of
11 class B or class C stock, respectively. The rights and obliga-
12 tions of the bank as respects such guaranty fund equivalents
13 shall be identical to its rights and obligations as respects class
14 B or class C stock, respectively.

15 “(c) LIEN ON STOCK.—Except as hereinafter provided
16 in the case of an association which is a direct borrower from
17 the central bank, each bank for cooperatives shall have a first
18 lien on all stock in the bank owned by each cooperative as-
19 sociation as additional collateral for any indebtedness of such
20 association to the bank. In the case of an association which
21 is a direct borrower from the central bank, the central bank
22 shall have a first lien on any amount of class C stock which
23 the borrowing association owns in any regional bank on ac-
24 count of direct loans of such association from the central
25 bank; and the regional bank shall have a lien on such stock

1 junior only to the lien of the central bank. In any case
2 where the debt of a borrower is in default, the bank may, in
3 accordance with regulations of the Farm Credit Administra-
4 tion, retire and cancel all or a part of the stock of the de-
5 faulting borrower at the fair book value thereof, not exceed-
6 ing par, in total or partial liquidation of the debt, as the case
7 may be, and, to the extent required, corresponding shares
8 held by a regional bank in the central bank shall be retired.

9 “(d) CALCULATION OF PROPORTIONATE INTERESTS IN
10 BANKS.—For the purpose of determining pursuant to section
11 5 (d) (2) (C) of the Farm Credit Act of 1937, as
12 amended, the amount of the capital stock and subscriptions
13 to the guaranty fund of a regional bank for cooperatives held
14 by cooperatives the term ‘capital stock and subscriptions to
15 the guaranty fund held by cooperatives’ or the equivalent of
16 that term shall also mean all outstanding class B and class C
17 stock and the guaranty fund equivalents thereof.”

18 SEC. 102. Section 35 of the Farm Credit Act of 1933,
19 as amended, is amended to read as follows:

20 “SEC. 35. APPLICATION OF REGIONAL BANK STOCK
21 PROVISIONS TO CENTRAL BANK.—All provisions of law
22 with respect to class A, class B, and class C stock in the
23 regional banks for cooperatives shall apply to the Central
24 Bank for Cooperatives except as they may be inconsistent

1 with the provisions of this section. Each borrower from the
2 central bank shall be required to own at the time the loan is
3 made at least one share of class C stock in such regional
4 bank as the Farm Credit Administration shall designate and
5 shall be required to invest quarterly in class C stock in such
6 regional bank or banks as the Farm Credit Administration
7 shall designate an amount equal to not less than 10 nor more
8 than 25 per centum, as prescribed by the board of directors
9 of the central bank with the approval of the Farm Credit
10 Administration, of the amount of interest payable by such
11 borrower to the central bank during the calendar quarter.
12 Payments for such stock shall be made quarterly or when
13 the regular interest payments of such borrower are payable;
14 but the stock shall be issued to the borrower as of the end
15 of each fiscal year in the amount of the payments for stock
16 made by it during such year. The regional bank whose
17 stock is so issued to such borrower shall purchase a corre-
18 sponding amount of class C stock in the central bank.”

19 SEC. 103. (a) Section 36 of the Farm Credit Act of
20 1933, as amended, is amended to read as follows:

21 “SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank
22 for cooperatives, at the end of each fiscal year, shall deter-
23 mine the amount of its net savings after paying or provid-
24 ing for all operating expenses (including reasonable valua-
25 tion reserves and losses in excess of any such applicable

1 reserves) and shall apply such savings as follows: (1) To
2 the restoration of the amount of the impairment, if any, of
3 capital stock, as determined by its board of directors; (2)
4 25 per centum of any remaining savings shall be used to
5 create and maintain a surplus account; (3) if said bank shall
6 have outstanding capital stock held by the United States
7 during the whole or any part of the fiscal year, it shall next
8 pay to the United States as a franchise tax, a sum equal to
9 25 per centum of its net savings then remaining, not exceed-
10 ing, however, a rate of return on such Government capital
11 calculated at a rate equal to the computed average annual
12 rate of interest on all public issues of public debt obligations
13 of the United States issued during the fiscal year ending
14 next before such tax is due, as certified to the Farm Credit
15 Administration by the Secretary of the Treasury; (4) reason-
16 able contingency reserves may be established; (5) dividends
17 on class B stock may be declared as provided in section 42
18 (a) (2); and (6) any remaining net savings shall be dis-
19 tributed as patronage refunds as provided in subsection (b)
20 of this section: *Provided*, That any patronage refunds re-
21 ceived by a regional bank from the central bank shall be
22 excluded from net savings of the regional bank for the pur-
23 pose of computing such franchise tax. Amounts applied as
24 provided in (2) and (4) above after the effective date of
25 title I of the Farm Credit Act of 1955 shall be allocated on

1 a patronage basis approved by the Farm Credit Adminis-
2 tration. At the end of any fiscal year, any portion of the
3 reserve established under (4) above which is no longer
4 deemed necessary shall be transferred to the surplus account
5 and, if the surplus account of any such bank for cooperatives
6 exceeds 25 per centum of the sum of all its outstanding cap-
7 ital stock, the bank may distribute in the same manner as a
8 patronage refund any part or all of such excess which has
9 been allocated. In making such distributions, the oldest
10 outstanding allocations shall be distributed first. Wherever
11 used in this Act, the words 'surplus account' as applied to
12 any bank for cooperatives shall mean any surpluses and con-
13 tingency reserves shown on the books of the banks as of the
14 ~~effective~~ *effective* date of title I of the Farm Credit Act of
15 1955 and any amounts applied as provided in (2) above
16 after the effective date of said title I. Said surplus account
17 shall be divided to show the amounts thereof subject to allo-
18 cation as provided in this section and may be further sub-
19 divided as prescribed by the Farm Credit Administration.
20 In the event of a net loss in any fiscal year after providing for
21 all operating expenses (including reasonable valuation re-
22 serves and losses in excess of any such applicable reserves),
23 such loss shall be absorbed by: first, charges to allocated
24 contingency reserves; second, charges to allocated surplus;
25 third, charges to other contingency reserves and surplus ~~pro~~

1 ~~rata in accordance with the second sentence of subsection~~
2 ~~(e) of this section~~; fourth, the impairment of class C stock;
3 and fifth, the impairment of all other stock.

4 “(b) PATRONAGE REFUNDS.—The patronage refunds
5 of each regional bank for cooperatives shall be paid in
6 class C stock to borrowers, as defined by the Farm Credit
7 Administration for the purposes of this subsection, during
8 the fiscal year for which the refunds are declared. Patron-
9 age refunds of the Central Bank for Cooperatives shall be
10 paid in class C stock to the regional banks for cooperatives
11 upon the basis of interests held by the central bank in loans
12 made by the regional banks and upon direct loans made
13 by the central bank to cooperative associations; and any
14 part of such refunds derived from such direct loans of the
15 central bank shall be paid in class C stock issued to the
16 regional bank or banks which issued to the borrower the
17 stock incident to the loans, or to a regional bank or banks
18 designated by the Farm Credit Administration, and such
19 bank or banks shall issue a like amount of class C stock to
20 the borrowers. All patronage refunds shall be paid in the
21 proportion that the amount of interest earned on the loans
22 of each borrower bears to the total interest earned on the
23 loans of all borrowers during the fiscal year.

24 “~~(c) APPLICATION OF ASSETS ON LIQUIDATION OR~~
25 ~~DISSOLUTION.~~—In the case of liquidation or dissolution of

1 any bank for cooperatives, after the payment or retirement,
2 as the case may be, first, of all liabilities; second, of all cap-
3 ital stock issued before the effective date of title I of the Farm
4 Credit Act of 1955 held by cooperative associations at par,
5 all class A stock at par, and all class B stock at par; and
6 third, of all class C stock at par; any surpluses and con-
7 tingency reserves then remaining shall be distributed as pro-
8 vided in this subsection. If necessary in absorbing losses,
9 allocated contingency reserves and allocated surpluses shall
10 be exhausted first in accordance with rules prescribed by
11 the Farm Credit Administration and other contingency re-
12 serves and surpluses shall be used pro rata. Any surpluses
13 and contingency reserves which were on hand as of the
14 effective date of said title I, shall be apportioned on the basis
15 of stock ownership in the bank on such date and that part
16 of such surpluses and reserves so apportioned to stock owned
17 by the United States, shall be paid into the Treasury as
18 miscellaneous receipts and that part of such surpluses and
19 reserves so apportioned to stock owned by all others shall
20 be paid to the holders of outstanding stock issued before
21 the effective date of said title I and class C stock pro rata:
22 *Provided*, That if the central bank is liquidated or dissolved
23 before the regional banks, that part of such surpluses and
24 reserves so apportioned to stock owned by the United States

1 shall be distributed to the regional banks on the basis of
 2 stock held by them in the central bank, and the amount
 3 so distributed shall be added to the corresponding surplus
 4 and reserve of each regional bank subject to payment into
 5 the Treasury as miscellaneous receipts upon liquidation or
 6 dissolution of such regional bank. Any allocated surpluses
 7 and allocated contingency reserves then remaining shall be
 8 distributed as allocated on the books of the bank."

9 “(c) *APPLICATION OF ASSETS ON LIQUIDATION OR*
 10 *DISSOLUTION.*—*In the case of liquidation or dissolution of*
 11 *any bank for cooperatives, after the payment or retirement,*
 12 *as the case may be, first, of all liabilities; second, of all capital*
 13 *stock issued before the effective date of title I of the Farm*
 14 *Credit Act of 1955 held by cooperative associations at par,*
 15 *all class A stock at par, and all class B stock at part; and*
 16 *third, of all class C stock at par; any surpluses and con-*
 17 *tingency reserves existing on the effective date of said title*
 18 *I shall be paid to the holders of outstanding capital stock*
 19 *issued before the effective date of said title I, class A stock*
 20 *and class C stock pro rata, and any remaining surplus and*
 21 *contingency reserves shall be distributed to those entities to*
 22 *which they are allocated on the books of the bank. If it*
 23 *should become necessary to use any surplus or contingency*
 24 *reserves to pay any liabilities or to retire any capital stock,*

1 *allocated contingency reserves and surplus shall be exhausted*
2 *first in accordance with rules prescribed by the Farm Credit*
3 *Administration.”*

4 *(b) For purposes of applying the amendment in sub-*
5 *section (a) of this section, that part of the fiscal year 1956*
6 *preceding the effective date of title I of this Act and that*
7 *part of such year following said effective date shall be*
8 *deemed to be separate fiscal years.*

9 SEC. 104. Section 31 of the Farm Credit Act of 1933
10 is amended to read as follows:

11 “SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—
12 The Central Bank for Cooperatives shall have seven directors.
13 Of this number four shall be appointed by the Governor of
14 the Farm Credit Administration, by and with the advice and
15 consent of the Federal Farm Credit Board, and three shall
16 be elected by the regional banks for cooperatives and coop-
17 erative associations: *Provided*, That the terms of office of
18 directors established prior to the effective date of title I of
19 the Farm Credit Act of 1955 shall continue through the
20 thirty-first day of December next following the effective date
21 of said title I and shall expire at the end of that day. Three
22 of the directors appointed by the Farm Credit Administration
23 shall be appointed for terms of one year, two years, and three
24 years, respectively, as designated at the time of appointment
25 and the fourth appointed director shall be appointed for a

1 term of three years and thereafter each appointed director
2 shall be appointed for a term of three years. Any appointed
3 director may be removed at pleasure at any time by the Farm
4 Credit Administration. The Farm Credit Administration
5 shall prescribe rules and regulations for the nominations and
6 elections required by this section. Sufficiently in advance of
7 the first day of January next following the effective date of
8 title I of the Farm Credit Act of 1955, and at any time
9 subsequent to the enactment thereof, the Farm Credit Ad-
10 ministration shall take all action necessary in order to permit
11 the elections hereby provided and shall group the several
12 farm credit districts into three areas, each of which shall be
13 comprised of four contiguous farm credit districts, and a
14 director shall be elected from nominees from each of such
15 areas by regional banks for cooperatives of the area and
16 cooperative associations of the area eligible to vote. The
17 three elected directors shall be elected for terms of one year,
18 two years, and three years, respectively, as shall be desig-
19 nated by the Farm Credit Administration and thereafter
20 elected directors shall be elected for terms of three years:
21 *Provided*, That whenever, as determined by the Farm Credit
22 Administration, the sum of the capital stock and subscriptions
23 to the guaranty fund of the central bank held by persons
24 other than the Governor of the Farm Credit Administration

1 on behalf of the United States and surplus and reserve
2 accounts of said bank shall equal or exceed $66\frac{2}{3}$ per centum
3 of the total capital stock, subscriptions to the guaranty fund
4 and surplus and reserve accounts of said bank as of the date
5 ~~three~~ *six* months before the expiration of the term of office of
6 any appointed director, except the fourth appointed director,
7 whose term next expires, the successor to such director shall
8 be elected from nominees for a term of three years by re-
9 gional banks for cooperatives of the area and cooperative as-
10 sociations of the area eligible to vote on a basis of areas com-
11 prised of two contiguous farm credit districts as designated by
12 the Farm Credit Administration. Appointed directors except
13 the fourth appointed director shall continue to be replaced
14 by elected directors in accordance with the foregoing provi-
15 sions until the total number of elected directors shall be
16 six, elected one from each of six such areas comprised of
17 two contiguous farm credit districts. Whenever, as deter-
18 mined by the Farm Credit Administration, the sum
19 of the capital stock and subscriptions to the guaranty
20 fund of the central bank held by persons other than
21 the Governor of the Farm Credit Administration on be-
22 half of the United States and surplus and reserve
23 accounts of said bank shall not equal or exceed $66\frac{2}{3}$
24 per centum of the total capital stock, subscriptions to the
25 guaranty fund and surplus and reserve accounts of the

1 banks as of the date ~~three~~ *six* months before the expiration
2 of the term of office of any elected director whose term next
3 expires, the successor to such elected director shall, if the
4 number of elected directors then exceeds three, be appointed
5 by the Governor of the Farm Credit Administration by and
6 with the advice and consent of the Federal Farm Credit
7 Board for a term of three years. In any such case where
8 only one additional appointed director is needed in order to
9 increase the total number of appointed directors to four,
10 and the terms of office of more than one elected director
11 next expire, the Farm Credit Administration shall designate
12 the one of such next expiring terms of office which shall
13 be replaced by the additional appointed director. Any
14 vacancy in the Board whether filled by appointment or by
15 election shall be filled for the unexpired term in the same
16 manner in which the vacant office was filled. Each regional
17 bank for cooperatives, each cooperative association which is
18 a direct borrower from the central bank, each holder of one
19 or more shares of class C stock in a regional bank for
20 cooperatives which is eligible to vote under section 42 (a)
21 (3), and each holder of one or more shares of stock in the
22 central bank or any regional bank for cooperatives issued
23 before the effective date of title I of the Farm Credit Act
24 of 1955 which is eligible to vote shall be eligible to vote
25 for directors of the central bank and each such holder shall

1 be entitled to one vote only without regard to the number
2 of shares held in any one or more of said banks, and the
3 vote of any such holder of stock in more than one bank
4 shall be cast only with respect to elections in the area in
5 which is located the main office of such holder. Elected
6 directors shall have been, for at least two years, residents
7 of the area for which they are elected. No person shall be
8 eligible for nomination, election, or appointment as a director
9 if such person has within one year next preceding the com-
10 mencement of the term been a salaried officer or employee
11 of the Farm Credit Administration or of any corporation
12 operating under its supervision. Any person who is a mem-
13 ber of the Federal Farm Credit Board or a district farm
14 credit board when appointed or elected as director shall
15 resign as a member of the Federal Farm Credit Board or the
16 district board before assuming his duties as director of the
17 central bank. No person who becomes such director shall
18 be eligible to continue to serve if he becomes a member
19 of the Federal Farm Credit Board or any district farm credit
20 board or an officer or employee of the Farm Credit Admin-
21 istration or an officer or employee of any corporation
22 operating under the supervision of the Farm Credit
23 Administration.”

1 SEC. 105. Section 32 of the Farm Credit Act of 1933
2 is amended to read as follows:

3 “SEC. 32. POWERS OF BOARD OF DIRECTORS OF CEN-
4 TRAL BANK.—The Board of Directors of the Central Bank
5 for Cooperatives shall elect a Chairman and Vice Chairman
6 from among its members. The powers of the Board of
7 Directors shall be such powers as may be prescribed in the
8 charter and bylaws with the approval of the Farm Credit
9 Administration: *Provided*, That said Board without limita-
10 tion of powers conferred by section 60 shall have power,
11 subject to approval of the Farm Credit Administration, to
12 appoint and fix the compensation of the chief executive offi-
13 cer and such other officers and employees, experts, and con-
14 sultants as may be necessary for the efficient conduct of the
15 bank’s business: *Provided further*, That the chief executive
16 officer of the bank shall not be an officer or employee of
17 the Farm Credit Administration.”

18 SEC. 106. Section 38 of the Farm Credit Act of 1933
19 is amended by adding at the end of said section the following
20 new sentence: “After the effective date of title I of the
21 Farm Credit Act of 1955 any amendment in the terms of the
22 charter issued to any bank for cooperatives and any regu-

1 lation issued under authority of this section or otherwise
2 affecting lending operations of any such bank shall be con-
3 sistent with the principle that the central bank shall make
4 loans only in cases where it is not practicable for the loan
5 to be made by a regional bank.”

6 SEC. 107. Section 41 of the Farm Credit Act of 1933,
7 as amended, is amended by adding a new paragraph as
8 follows:

9 “Notwithstanding any other provision of law, any
10 officer or employee of the Farm Credit Administration or of
11 any bank for cooperatives designated to act as custodian
12 of collateral securing loans made by any such bank to any
13 cooperative association eligible to borrow therefrom may, in
14 accordance with regulations of the Farm Credit Administra-
15 tion, act at the same time as custodian of collateral securing
16 loans made by any other lenders to any cooperative associa-
17 tion eligible to borrow from any such bank.”

18 SEC. 108. (a) Section 33 of the Farm Credit Act of
19 1933 is amended by striking the words “Chairman of the
20 Board” in the last sentence of said section and substituting
21 in lieu thereof the words “Board of Directors”.

22 (b) Section 34 of the Farm Credit Act of 1933, as
23 amended, is amended by striking the words “Chairman of its
24 Board of Directors” in the first paragraph of said section and

1 substituting in lieu thereof the words "Farm Credit
2 Administration".

3 SEC. 109. Subsection (a) of section 8 of the Agricul-
4 tural Marketing Act, as amended, is amended to read as
5 follows:

6 "(a) Loans to cooperative associations made by any
7 bank for cooperatives shall bear such rates of interest as
8 the board of directors of the bank shall from time to time de-
9 termine with the approval of the Farm Credit Administra-
10 tion, but in no case shall the rate of interest exceed 6 per
11 centum per annum on the unpaid principal of a loan."

12 SEC. 110. (a) Section 65 of the Farm Credit Act of
13 1933 is amended by striking the word "regional" in the first
14 sentence of said section.

15 (b) Section 66 of the Farm Credit Act of 1933, as
16 amended, is hereby repealed.

17 (c) The second sentence of section 7 (a) of the Farm
18 Credit Act of 1953 is hereby repealed.

19 (d) Section 6 of the Act approved January 23, 1932
20 (47 Stat. 14), is amended by adding immediately following
21 the comma after the word "Act" where it first appears the
22 following: "the Farm Credit Act of 1933".

23 SEC. 111. This title shall be applicable to loans made
24 before its effective date from the date on which they may

1 be changed by agreement to conform hereto, otherwise, ex-
2 cept as provided in this title, such loans shall be treated as
3 though this title had not been enacted. Any cooperative
4 association owning capital stock or guaranty fund credits
5 in any bank for cooperatives issued before the effective date
6 of this title which is eligible to vote shall, as long as such
7 eligibility continues, be entitled to vote to the same extent
8 as a holder of class C stock which is eligible to vote; any
9 cooperative association owning such stock or guaranty fund
10 credits shall be entitled to have such stock or credits retired
11 as though this title had not been enacted; and any such
12 association may with the consent of the bank have such stock
13 or credits, if it is found eligible to own class B or class C
14 stock, converted in whole or in part into class B or class C
15 stock or equivalent guaranty fund credits: *Provided*, That
16 any bank for cooperatives with the approval of the Farm
17 Credit Administration may retire at any time capital stock
18 or guaranty fund credits issued before the effective date of
19 this title held by any cooperative association and may hold
20 the proceeds of such retired stock or guaranty fund credits as
21 security for any indebtedness of the association to the bank.

22 SEC. 112. This title shall take effect on the first day of
23 the month next following one hundred and twenty days after
24 its enactment.

TITLE II—PRODUCTION CREDIT SYSTEM

SEC. 201. Section 4 of the Farm Credit Act of 1933 is amended to read as follows:

~~“SEC. 4. (a) CLASSES OF STOCK; AMOUNT; PAR VALUE; OWNERSHIP; DIVIDENDS; PREFERENCE UPON LIQUIDATION.~~ Each production credit corporation shall have the following classes of stock, all of which shall have a par value of \$100 per share:

~~“(1)~~ Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States in exchange share for share for stock of the respective production credit corporations held by the Governor on the effective date of title II of the Farm Credit Act of 1955. Class A stock shall be nonvoting and no dividends shall be paid thereon. At the end of each fiscal year, each of such corporations shall determine the amount of class A stock that it shall retire, which shall not be less than 10 per centum of the amount of stock of the corporation held by the Governor on behalf of the United States on the effective date of title II of the Farm Credit Act of 1955: *Provided*, That any amount retired in excess of such 10 per centum in one year may be used to reduce to that extent the amount of stock required to be retired in any subsequent year. Funds from the retirement of class A stock shall be

1 paid into the revolving fund authorized by section 5 and
2 shall continue to be available for the purchase of class C
3 stock in accordance with paragraph ~~(3)~~ of this subsection.

4 ~~“(2)~~ Class B stock may be issued only to production
5 credit associations. Such stock shall be issued at par and
6 no dividends shall be paid on it. Each holder of class B
7 stock shall be entitled to one vote for each share of stock
8 held by it. Each production credit corporation shall from
9 time to time determine the amount of its class B stock which
10 shall be subscribed to and purchased by the production credit
11 association of the district. The minimum amount of such
12 stock subscribed to and purchased by such associations shall
13 not be less than an amount computed as the sum of the
14 following: As to each association, 3 per centum of the
15 amount of its stock held by persons other than the corpora-
16 tion or \$5,000, whichever is the greater. The subscriptions
17 to such stock by the associations shall be allocated by the
18 corporation upon an equitable basis and the amounts of sub-
19 scriptions and purchases of such stock by the associations
20 may be adjusted annually: *Provided*, That such stock of a
21 corporation outstanding shall not be less than such minimum.
22 The stock ownership requirements of this subsection shall
23 also apply to any association organized after the effective
24 date of title II of the Farm Credit Act of 1955. In case of
25 liquidation or dissolution of any association, the stock of the

1 corporation owned by such association shall be canceled and
2 the association paid the par value of such stock.

3 “(3) Class C stock may be issued in amounts approved
4 by the Farm Credit Administration. The Governor of the
5 Farm Credit Administration may purchase class C stock
6 of any production credit corporation from time to time in
7 such amounts as he determines are required to meet the
8 credit needs of the district served by such corporation.
9 Payments for stock purchased by the Governor shall be
10 made out of the revolving fund authorized by section 5 and
11 such stock shall be held by him on behalf of the United
12 States. Class C stock shall be issued only at par and shall
13 be nonvoting. When declared by its board of directors and
14 approved by the Farm Credit Administration, any such
15 corporation may pay dividends on class C stock at a rate
16 not exceeding the average annual rate of interest on all
17 public issues of public debt obligations of the United States
18 issued during the fiscal year next before any such dividend
19 is so declared, as certified to the Farm Credit Administra-
20 tion by the Secretary of the Treasury. Dividends on class
21 C stock shall not be cumulative. After all class A stock
22 has been retired, class C stock may be called for retire-
23 ment at par in amounts approved by the Farm Credit
24 Administration.

25 “(4) In the case of liquidation or dissolution of any

1 production credit corporation; after the payment or retire-
 2 ment, as the case may be, first, of all liabilities; second,
 3 of all class A stock at par and all class C stock at par;
 4 any sums remaining shall be paid pro rata to the holders
 5 of outstanding class B stock.

6 “(b) PAYMENT OF EXPENSES OF PRODUCTION CREDIT
 7 CORPORATIONS BY PRODUCTION CREDIT ASSOCIATIONS.—
 8 Beginning on the effective date of title II of the Farm Credit
 9 Act of 1955 expenses of each production credit corporation
 10 shall be allocated in such manner and amounts as shall be
 11 determined by the board of directors of the corporation and
 12 shall be paid by the production credit associations of the
 13 district: *Provided*, That such allocations shall be made
 14 annually and shall be progressively increased in such man-
 15 ner that no later than the tenth year after the effective date
 16 of title II of the Farm Credit Act of 1955 all expenses of
 17 the corporation not covered by income of the corporation
 18 shall be paid by such associations.

19 “(c) POSTPONEMENT OF STOCK RETIREMENT AND
 20 PAYMENT OF EXPENSES UNDER SPECIAL CIRCUM-
 21 STANCES.—Notwithstanding the foregoing provisions of this
 22 section—

23 “(1) the board of directors of a production credit
 24 corporation may, because of adverse conditions in the
 25 district, reduce the amount of class A stock to be retired

during any year to the extent the board determines necessary in order to meet the credit needs of the district: *Provided*, That all class A stock of the corporation shall be retired on or before the end of the tenth year after the effective date of title II of the Farm Credit Act of 1955; and

~~“(2) the board of directors of a production credit corporation may, because of adverse conditions in the district, defer in whole or in part the amounts which otherwise would be paid by the production credit associations under subsection (b) of this section in any year to the extent the board determines necessary in order to enable the associations to provide adequate credit service to farmers at reasonable costs: *Provided*, That after the thirteenth year following the effective date of title II of the Farm Credit Act of 1955 all expenses of the corporation not covered by income of the corporation shall be paid by such associations.~~

~~“(d) Any action by the board of directors of any production credit corporation under the provisions of this section shall be subject to the approval of the Farm Credit Administration.”~~

SEC. ~~202~~ 201. Section 21 of the Farm Credit Act of 1933 is amended by striking out of the fifth sentence the words “all stock shall share in dividend distributions without

1 preference” and substituting therefor the words “Dividends
2 may be paid on class A and class B stock without preference
3 or on class A stock alone, as the board of directors of the
4 association may determine”.

5 SEC. ~~203~~ 202. Section 22 of the Farm Credit Act of
6 1933 is amended to read as follows:

7 “SEC. 22. (a) Each production credit association shall,
8 at the end of each fiscal year, apply the amount of its earn-
9 ings in excess of operating expenses (including provision for
10 reasonable valuation reserves) during such fiscal year, first,
11 to the restoration of the impairment, if any, of capital; and,
12 second, to the establishment and maintenance of a surplus
13 account, the minimum amount of which shall be prescribed
14 by the production credit corporation.

15 “(b) A production credit association may pay dividends
16 of not to exceed 7 per centum per annum when such pay-
17 ments are approved by the production credit corporation of
18 the district and are consistent with policies established under
19 regulations issued by the Farm Credit Administration.”

20 SEC. ~~204~~ 203. The amounts in the guaranty fund reserve
21 and the reserve account for bad and doubtful debts of each
22 production credit association shall, as of the effective date of
23 this title, be transferred to the surplus account of such asso-

1 ciation established pursuant to the provisions of section 22
2 of the Farm Credit Act of 1933 as amended by section ~~203~~
3 ~~202~~ of this title.

4 SEC. ~~205~~ 204. Section 23 of the Farm Credit Act of
5 1933 is amended to read as follows:

6 "SEC. 23. Each production credit association shall, under
7 such rules and regulations as may be prescribed by the pro-
8 duction credit corporation of the district with the approval
9 of the Farm Credit Administration, invest its funds and make
10 loans to farmers for general agricultural purposes. Such
11 loans shall be made on such terms and conditions, at such
12 rates of interest, and with such security as may be prescribed
13 by the corporation. No borrower shall be indebted to the
14 association at any one time in an amount in excess of 15
15 per centum of the capital and surplus of the association un-
16 less the loan has the prior approval of the corporation, or in
17 excess of 35 per centum of the capital and surplus of the as-
18 sociation unless the loan also has the prior approval of the
19 Farm Credit Administration. Borrowers shall be required
20 to own, at the time the loan is made, class B stock of the
21 association in an amount equal in fair book value (not to
22 exceed par), as determined by the association, to \$5 per
23 \$100 or fraction thereof of the amount of the loan. Such

1 stock shall not be canceled or retired upon payment of the
 2 loan but may be transferred or exchanged as provided in
 3 section 21 of this Act.”

4 SEC. ~~206~~ 205. The last sentence of section 63 of the
 5 Farm Credit Act of 1933 is hereby amended to read as
 6 follows: “The exemption provided herein shall not apply with
 7 respect to any production credit association or its property or
 8 income after the class A stock held in it by the production
 9 credit corporation has been retired, or with respect to the
 10 Central Bank for Cooperatives, or any production credit
 11 corporation or bank for cooperatives, or its property or in-
 12 come after the stock held in it by the United States has been
 13 retired.”

14 SEC. 207. (a) The Government Corporation Control
 15 Act is amended by deleting from section 101 the following:
 16 “production credit corporations;”; by inserting “production
 17 credit corporations, (4)” in section 201 immediately follow-
 18 ing “(3)”; and by changing “(4)” to “(5)”.

19 (b) Section 3679 of the Revised Statutes, as amended,
 20 is amended by striking the period at the end of subsection
 21 (d) (2) of said section and adding in lieu thereof the
 22 following: “, or to any production credit corporation organ-
 23 ized pursuant to the Farm Credit Act of 1933.”.

24 (c) No appropriation Act shall apply to a production
 25 credit corporation on and after the effective date of this title.

1 ~~SEC. 208.~~ This title shall become effective the first day
2 of the fiscal year next commencing after its enactment.

3 TITLE III—FEDERAL LAND BANK SYSTEM

4 SEC. 301. Sections 3, 7, and 8 of the Federal Farm
5 Loan Act, as amended, are amended—

6 (a) by changing next to the last paragraph of
7 section 3 to read as follows: “The Farm Credit Admin-
8 istration shall prescribe a form for the statement of con-
9 dition of national farm loan associations and land banks
10 under its supervision, which shall be filled out by each
11 such association or bank and transmitted to said admin-
12 istration as required by it.”;

13 (b) by changing the fifth sentence of the fourth
14 paragraph of section 7 to read as follows: “He shall
15 make a report to the Farm Credit Administration as
16 required by it upon forms to be provided for that
17 purpose.”; and

18 (c) by deleting the last sentence of section 8.

19 SEC. 302. The last paragraph of section 5 of the Federal
20 Farm Loan Act, as amended, is repealed.

21 SEC. 303. Section 10 of the Federal Farm Loan Act,
22 as amended, is amended by adding at the end thereof a
23 new paragraph as follows:

24 “Notwithstanding any other provision of this Act to the
25 contrary, subject to the approval of the Farm Credit Admin-

1 istration, the investigation and the written report or reports
2 on the value of the security offered for a Federal land bank
3 loan, which otherwise are required by this section to be made
4 by land bank appraisers appointed under the authority of
5 section 3 of this Act, may be made, in accordance with
6 appraisal standards prescribed by the Farm Credit Adminis-
7 tration, by any person (including a person who is secretary-
8 treasurer of a national farm loan association) designated so
9 to do by the Federal land bank of the district; a Federal
10 land bank is authorized to make a loan, if otherwise author-
11 ized, on the basis of such an investigation and report by a
12 person so designated; and a loan so made shall be eligible
13 as collateral for farm loan bonds under section 19 of this
14 Act, if otherwise qualified thereunder: *Provided*, That,
15 within one year, the land bank shall obtain a written report
16 on the security for the loan by a land bank appraiser
17 appointed under section 3 of this Act, in terms and form
18 prescribed by the Farm Credit Administration, and such a
19 loan shall be eligible as collateral for farm loan bonds there-
20 after only if such report by a land bank appraiser establishes
21 that the security meets the standards prescribed by the Farm
22 Credit Administration for a land bank loan, and in no event
23 shall any such loan thereafter be carried as such collateral
24 for bonds at more than 65 per centum of the normal value
25 of the security as determined by such land bank appraiser.

1 Except as otherwise specifically provided in this paragraph,
2 all provisions of this Act relating to loans made through
3 national farm loan associations shall, insofar as applicable,
4 apply with respect to loans made on such investigations and
5 written reports by such designated persons.”

6 SEC. 304. Section 12 of the Federal Farm Loan Act,
7 as amended, is amended—

8 (a) by changing paragraph “Fourth” to read as
9 follows: “Such loans may be made for general agricul-
10 tural purposes and other requirements of the owner of
11 the land mortgaged, under rules and regulations of the
12 Farm Credit Administration.”;

13 (b) by striking out the period at the end of the
14 second sentence of paragraph “Fifth” and adding the
15 following: “; and, consistent with community standards,
16 the appraisal may also reflect home advantages, and the
17 availability to a typical operator of the property of
18 earnings from other dependable sources to supplement
19 the normal earning power of the farm.”;

20 (c) by striking out “the raising of livestock”
21 wherever it appears in next to the last sentence of para-
22 graph “Sixth” and substituting therefor “farming opera-
23 tions” and by striking out of such sentence “Land Bank
24 Commissioner” and substituting therefor “Farm Credit
25 Administration”; and

1 (d) by striking out “\$100,000” from paragraph
2 “Seventh” and substituting ~~therefore~~ *therefor* “\$200,-
3 000” and by striking out of such sentence “but loans
4 to any one borrower shall not exceed \$25,000 unless
5 approved by the Land Bank Commissioner,” *and sub-*
6 *stituting “but loans to any one borrower shall not*
7 *exceed \$100,000 unless approved by the Farm Credit*
8 *Administration,”.*

9 SEC. 305. Paragraph “Nineteenth” of section 13 of the
10 Federal Farm Loan Act, as amended, is amended by adding
11 at the end thereof a new sentence as follows: “Such a
12 deferment may be permitted for other purposes for a period
13 not exceeding five years under regulations prescribed by the
14 Farm Credit Administration.”.

15 SEC. 306. (a) That part of section 23 of the Federal
16 Farm Loan Act, as amended, which precedes the last
17 paragraph, is amended to read as follows: “Every Federal
18 land bank shall semiannually carry to reserve account a
19 sum not less than 50 per centum of its net earnings until
20 said reserve account shall show a credit balance equal to
21 the outstanding capital stock of said land bank. After said
22 reserve is equal to the outstanding capital stock 10 per
23 centum of the net earnings shall be added thereto semi-
24 annually until said reserve account shall show a credit bal-

1 ance equal to 150 per centum of the outstanding capital stock
2 of said land bank, and any land bank having a credit balance
3 in said reserve account in excess of 150 per centum of its
4 outstanding ~~capital~~ *capital* stock may withdraw such excess
5 from said reserve account with the approval of the Farm
6 Credit Administration. Whenever said reserve shall have
7 been impaired it shall be fully restored before any dividends
8 are paid.

9 “After deducting the 50 per centum or the 10 per
10 centum hereinbefore directed to be deducted for credit to
11 reserve account, any Federal land bank may declare a
12 dividend or dividends to shareholders of the whole or any
13 part of the balance of its net earnings, but only with the
14 approval of the Farm Credit Administration.

15 “The reserves of land banks shall be invested in accord-
16 ance with rules and regulations prescribed by the Farm
17 Credit Administration.”

18 (b) The second sentence of section 24 of the Federal
19 Farm Loan Act, as amended, is amended by striking out the
20 period at the end thereof and adding the following: “until
21 said reserve account shall show a credit balance equal to 50
22 per centum of the outstanding capital stock of said associa-
23 tion, and any association having a credit balance in said re-
24 serve account in excess of 50 per centum of its outstanding

1 capital stock may withdraw such excess from said reserve
 2 account with the approval of the Farm Credit Administra-
 3 tion.”.

4 (c) The amendments made by (a) and (b) of this sec-
 5 tion shall become effective on the next January 1, or July 1
 6 whichever first succeeds enactment hereof.

7 SEC. 307. Section 601 (a) of the Department of Agri-
 8 culture Organic Act of 1944 is amended by inserting after
 9 “Federal land banks,” the second time it appears therein,
 10 “national farm loan associations,”; by striking out “joint-
 11 stock land banks,” wherever it appears therein; and by
 12 striking out the period at the end thereof and inserting
 13 “, except that the amounts apportioned to national farm
 14 loan associations shall be assessed against and collected from
 15 the Federal land bank of the district which may in turn col-
 16 lect such amounts from the associations in a manner approved
 17 by the Farm Credit Administration.”.

18 TITLE IV—MISCELLANEOUS PROVISIONS

19 ~~SEC. 401.~~ Section 5 (d) of the Farm Credit Act of
 20 1937, as amended, is amended—

21 (a) by substituting “six months” for “three
 22 months” wherever it occurs in paragraph (2) thereof;
 23 and

24 (b) by adding at the end thereof a new paragraph
 25 as follows:

1 *SEC. 401. (a) Section 5 (b) of the Farm Credit Act of*
2 *1937, as amended, is amended by changing the sixth sentence*
3 *thereof to read as follows: "After the date of enactment of*
4 *the Farm Credit Act of 1955, no person shall be eligible for*
5 *election or appointment to membership on said Board if such*
6 *person has within one year next preceding the commencement*
7 *of the term been a salaried officer or employee of the Farm*
8 *Credit Administration, or a salaried officer or employee of any*
9 *corporation operating under the supervision of the Farm*
10 *Credit Administration."*.

11 *(b) Section 5 (d) of the Farm Credit Act of 1937, as*
12 *amended, is amended—*

13 *(1) by substituting "six months" for "three months"*
14 *wherever it occurs in paragraph (2) thereof; and*

15 *(2) by adding at the end thereof a new paragraph*
16 *as follows:*

17 *"(4) As directed by the Farm Credit Administration,*
18 *the election of a director under section 5 (d) (2) by any*
19 *group may be begun any time within six months before*
20 *the expiration of the term of office to which the director*
21 *is to succeed, subject to the required determination being*
22 *made as of the date six months before the expiration of*
23 *such term of office that a director so elected by such group*
24 *is to serve in lieu of a district director (or third district*
25 *director)."*

1 SEC. 402. Section 4 of the Farm Credit Act of 1953
2 is amended—

3 (a) by inserting in the first proviso in subsection
4 (a) “all persons so tied shall be considered designated
5 as nominees” in lieu of “the procedure prescribed therein
6 shall be followed again until the tie is broken”;

7 (b) by inserting before the period at the end of the
8 second sentence of subsection (b) “. except that one full
9 term of six years shall be considered to include an addi-
10 tional four months if the particular term is one which
11 was legally extended for an additional four months”;
12 and

13 (c) by adding the following additional sentence at
14 the end of subsection (c): “All terms of office which
15 otherwise would expire on November 30 of any year
16 following enactment of ~~this sentence~~ *the Farm Credit*
17 *Act of 1955* are extended four months to expire on the
18 following March 31 so that the term of office of all
19 successors to the terms so extended shall begin with the
20 first day of April.”.

21 SEC. 403. (1) If any provision of this Act, or the appli-
22 cation thereof to any person or circumstance, is held invalid,

1 the remainder of the Act, and the application of such pro-
2 visions to other persons or circumstances, shall not be affected
3 thereby.

4 (b) The right to alter, amendment, or repeal this Act is
5 hereby expressly reserved.

84TH CONGRESS
1st Session

H. R. 5168

[Report No. 863]

A BILL

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

By Mr. COOLEY

MARCH 23, 1955

Referred to the Committee on Agriculture

JUNE 20, 1955

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

CONSIDERATION OF H. R. 5168

JULY 6, 1955.—Referred to the House Calendar and ordered to be printed

Mr. THORNBERRY, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 298]

The Committee on Rules, having had under consideration House Resolution 298, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 113

84TH CONGRESS
1ST SESSION

H. RES. 298

[Report No. 1069]

IN THE HOUSE OF REPRESENTATIVES

JULY 6, 1955

Mr. THORNBERRY, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H. R. 5168) to provide for
5 retirement of the Government capital in certain institutions
6 operating under the supervision of the Farm Credit Admin-
7 istration; to increase borrower participation in the manage-
8 ment and control of the Federal Farm Credit System; and
9 for other purposes. After general debate, which shall be
10 confined to the bill, and shall continue not to exceed one hour,
11 to be equally divided and controlled by the chairman and
12 ranking minority member of the Committee on Agriculture,

1 the bill shall be read for amendment under the five-minute
 2 rule. At the conclusion of the consideration of the bill for
 3 amendment, the Committee shall rise and report the bill
 4 to the House with such amendments as may have been
 5 adopted, and the previous question shall be considered as
 6 ordered on the bill and amendments thereto to final passage
 7 without intervening motion except one motion to recommit.

84TH CONGRESS
 1ST SESSION

H. RES. 298

House Calendar No. 113

[Report No. 1069]

RESOLUTION

Providing for the consideration of H. R. 5168, a bill to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

By Mr. THORNBERY

JULY 6, 1955

Referred to the House Calendar and ordered to be printed

for each of the critical target areas during time of danger. The committee report states: "The Committee has not approved the budget estimate of \$3,050,000 for financing delegations of authority made by the Federal Civil Defense Administration to six different departments and agencies. Similar amounts were denied previously in the regular budget submissions of some of the agencies represented...the Committee can see no sufficient difference from the normal programs and responsibilities of the agencies concerned to warrant extra appropriations. Each agency already has primary responsibility in the fields of delegated authority and civil defense features can be integrated into regular operations just as is the case in the Department of Agriculture where no additional funds are requested, and as many of the same agencies are already doing with defense mobilization activities."

GSA expenses in connection with the buildings lease-purchase program, \$15,000,000.

Moving and space costs of GSA in connection with relocation of warehouse management and other employees into office space in the regional warehouses where they will occupy less costly space and be more closely situated to operations, \$300,000.

Authority for the "strategic and critical materials" appropriation to be used for costs in connection with strategic materials purchased with foreign currencies under the Agricultural Trade Development and Assistance Act of 1954.

Prohibition against use of any money for construction of transmission facilities to connect with the Dixon-Yates generating plant.

Claims, audited claims, and judgments against the U. S., various amounts.

The committee report states that "the Committee considered language proposed...for establishment of a working capital fund" for the Forest Service "but disapproves the proposal at this time, pending a further study."

The report includes the following statement: "During hearings on the Independent Offices Appropriation Act for 1956 the need for a Government-wide air conditioning program was thoroughly developed and at that time it was suggested to the General Services Administration that they work out a comprehensive plan for air conditioning those Federal buildings throughout the United States that require it, and that the matter be carefully prepared and presented through the Bureau of the Budget next year so consideration can be given by the Committee for a program to be started during fiscal year 1957. The Committee doubts the advisability of accomplishing air conditioning of buildings on a piece-meal basis for the reason that it is more satisfactory and less costly over a period of years to follow an orderly program."

Considered the conference report on H. R. 6766, the public works appropriation bill, which contains funds for the Atomic Energy Commission, Tennessee Valley Authority, certain agencies of the Interior Department, and civil functions of the Army; but deferred a vote on the conference report until Wed., July 13 (pp. 8858-67).

4. FOREIGN TRADE; SURPLUS COMMODITIES. Both Houses received the second progress report on activities carried on under Public Law 480, 83rd Congress (H. Doc. 216) (pp. 8827, 8857-8).

5. FARM CREDIT. Passed as reported H. R. 5168, providing for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration, increasing borrower participation in the management and control of the Farm Credit system, etc. (pp. 8868-77).

6. PERSONNEL. The Post Office and Civil Service Committee reported with amendment the following bills: S. 1041, providing for the inclusion in computation of retirement certain State service rendered (H. Rept. 1127); S. 1792, to amend the Federal Employees' Group Life Insurance Act, 1954 (H. Rept. 1128); H. R. 6590, to prohibit employment by the Federal Government of persons disloyal to the United States or who believe in the right to strike against the United States (H. Rept. 1152) (p. 8906).
7. FOOD AND DRUG. Rep. Sullivan urged consideration of her proposal to increase appropriations for the Food and Drug Administration in order to increase its efficiency and effectiveness (pp. 8877-9).
8. RECLAMATION. Rep. Thomson, Wyo., defended the reclamation program as being relatively economical and contributive to the agricultural wellbeing of the Nation (pp. 8867-8).
9. FOREIGN AID. Several Representatives discussed American Foreign policy. Rep. Knutson urged consideration of an international agricultural products reserve plan (pp. 8880-8901).
10. PENALTY MAIL. The Post Office and Civil Service Committee reported without amendment H. R. 5856, to repeal the requirement for heads of departments and agencies to report to the Postmaster General the number of penalty envelopes and wrappers on hand at the close of each fiscal year (H. Rept. 1129) (p. 8906).
11. INCOME TAX. The Ways and Means Committee ordered reported H. R. 4731, to amend the Internal Revenue Code concerning capital gains and losses on sale of land with unharvested crop (p. D696).
12. LEGISLATIVE PROGRAM. The "Daily Digest" states that on Wed., July 13, "the House will vote on the adoption of the conference report on H. R. 6766, the public works appropriation bill..." (p. D693).

SENATE

13. BONDING EMPLOYEES. The Post Office and Civil Service Committee reported with amendment H. R. 4778, to provide for the purchase of bonds to cover postmasters, officers, and employees of the Post Office Department and mail clerks of the Armed Forces (S. Rept. 827) (p. 8828). The "Daily Digest" states that the amendment would cover all Federal employees (p. D692).
14. IMMIGRATION. Sen. Kennedy inserted four newspaper editorials discussing the resolution he introduced to establish a bipartisan commission to review the immigration and naturalization policies (pp. 8835-6).
15. FOREIGN AID. Sen. Carlson commended individuals and organizations that raise money for foreign aid, and discussed the amount of surplus commodities purchased by the Church World Services (p. 8832).
16. LANDS. The Interior and Insular Affairs Committee ordered reported H. R. 4894, which would repeal certain obsolete laws relating to disposals of land under the timber and stone laws, and H. R. 605, which would abolish the 80-rod reservation of public ownership between public land claims located on shore waters in Alaska (p. D691).

when they let the contract to somebody to dig that canal 40 feet. You had one up there for 30 years of 25 feet and nobody used it. It refilled itself up to 8 feet. These 8,400 industries you are talking about never used that channel. Not one of them used it in 30 years. Nobody used the 25-foot canal. All of a sudden you are going to use the 40-foot canal. The Army engineers said that the only one, that is, the only industry that was going to benefit 100 percent was United States Steel.

Mr. BARRETT. Mr. Speaker, will the gentleman yield further?

Mr. KIRWAN. I yield.

Mr. BARRETT. Does not the gentleman agree that there are 8,400 different industries along the banks of the Delaware River?

Mr. KIRWAN. What does the gentleman want to know?

Mr. BARRETT. Is it not true, as I mentioned here on the floor, that every piece of legislation that is enacted on this floor involves someone getting greater benefit than someone else?

Mr. KIRWAN. Somebody may, but the Army engineers said that the only one in this case was United States Steel.

Mr. SCOTT. Mr. Speaker, will the gentleman yield for a correction?

Mr. KIRWAN. No, the record contains what the Army engineers said. It is in the record here.

Mr. SCOTT. I just wanted the gentleman to know that that statement is not correct.

Mr. KIRWAN. The Army engineers testified before the committee which I happen to be on. On the 35-foot channel, perhaps, some would benefit 85 percent, but on the 40-foot channel there is only one company that would get 100 percent benefit out of it.

Mr. SCOTT. Has the gentleman forgotten the United States Gypsum Co., and the Kopper's Coke Co. and some other companies?

Mr. KIRWAN. Mr. Speaker, I am here today asking the Members of Congress not to vote to recommit this. If the only thing they are hollering about is the Delaware River canal, let them take it next year to the House committee and hold proper hearings on it. Let them do as the President suggested. Let them go through all of that and, if the House works its will and we want them to dredge the Delaware River, then that is fine. Then let it go over to the other body. But, do not let it go over there calling for a 35-foot channel. Local interests were supposed to pay \$18 million which they were satisfied to pay, and then over in the other body they tacked a rider on it making it a 40-foot channel and the local people did not have to pay any money. Do not vote to recommit a bill for something like that.

The SPEAKER. The time of the gentleman from Ohio has expired.

Mr. CANNON. Mr. Speaker, I yield 3 minutes to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

[Mr. H. CARL ANDERSEN asked and was given permission to revise and extend his remarks.]

[Mr. H. CARL ANDERSEN addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. REES of Kansas. Mr. Speaker, first I would have it understood that I am not opposed to all the items in this proposed legislation. Most of them, in my opinion, should be supported. I feel constrained, however, to vote against the report on the ground that so many items in the measure were not approved—in fact, not even considered—by the Bureau of the Budget.

I hope that by sending the bill back to the committee some of the items contained in this legislation, and not approved by the Bureau of the Budget, may be eliminated.

We are advised by the Appropriations Committee that expenditures amounting to \$400 million are included in this bill for the purpose of starting projects located in various places across the country. These items which have been discussed on the floor today do not have the approval of the Bureau of the Budget. The thing that makes the situation a little more serious is the fact that spending the additional \$400 million not approved by the Budget Bureau will mean a total and final expenditure of more than \$2 billion when such projects are completed.

It seems to me that since the Appropriations Committee of the House has been rather liberal in supporting legislation approved by the Bureau of the Budget, we should not include additional appropriations for big projects that have not really been examined nor approved by the Bureau of the Budget.

Voting the conference report down does not kill the bill, but it will give the conference committee another chance to look the situation over with a view of trimming out at least some of the items not supported by the Budget Bureau.

Mr. CANNON. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

Mr. DAVIS of Wisconsin. Mr. Speaker, on that I ask for the yeas and nays.

The SPEAKER. If we delay this matter until tomorrow, it may be rather an embarrassing situation for the White House and others.

Mr. DAVIS of Wisconsin. Mr. Speaker, I believe that under all the circumstances I must insist on the request.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent, in accordance with the promise made to the House, that further consideration of this conference report be postponed until tomorrow.

The SPEAKER. Is there objection?

There was no objection.

GENERAL LEAVE TO EXTEND

Mr. CANNON. Mr. Speaker, I ask unanimous consent that all Members who spoke on the conference report may

have permission to revise and extend their remarks.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

THE RECLAMATION PROGRAM

[Mr. THOMSON of Wyoming asked and was given permission to extend his remarks at this point in the Record.]

Mr. THOMSON of Wyoming. Mr. Speaker, I think that here and now we should clear up two apparent basic misconceptions that exist concerning the reclamation program.

In the first place, some people would lead us to believe that the reclamation program is an expensive program to the taxpayers that threatens to bankrupt the United States. The facts are that from the beginning of the reclamation program under Theodore Roosevelt, to June 30, 1952, which is the last year for which I have complete figures, the total expenditures on reclamation by the Federal Government in the 17 Western States has been less than \$2,159,000,000. Of this amount \$1,924,000,000 is reimbursable to the Federal Government. In other words, only \$235 million is not repaid to the Treasury principally because of nonreimbursable benefits such as flood control, recreation, and fish and wildlife benefits. The total amount expended on reclamation through the current fiscal year ending June 30, 1955, will be, as per best estimates, \$2¾ billion, of which all but about \$250 million is reimbursable. Compare this with the foreign-aid program to which the House added \$2,700,000,000 yesterday to provide total unexpended balances of over \$11 billion.

The second misconception which some people would leave with us is that our reclamation program accounts for our agricultural surpluses. That simply is not the fact. Surplus products which apparently concern us are the basic commodities of wheat, corn, cotton, rice, tobacco and peanuts. From personal observation, I do not believe that there are any of these commodities moving into Government surplus from the reclamation projects of my State. The amount of surplus commodities from reclamation projects would be negligible, in my opinion, except in one instance. In certain areas of California and Arizona, cotton is grown on reclamation projects and undoubtedly some of this moves into Government surplus. In my State and surrounding area, the fact is that the reclamation projects are used to raise nonsurplus crops, and crops to stabilize our livestock economy. In the past year, the Federal Government spent over \$650,000 in my State alone to alleviate serious drought conditions. This did not remove the effect of the drought, it merely minimized it by assisting in providing winter feed for carrying over breeding herds. Economically speaking, this could be said to be money down the drain. With reclamation projects under

an adequate water storage program we can solve the problem much better. In addition to that, the additional income tax from these reclamation projects is income to the Federal Government instead of output. As a matter of fact, a study of representative reclamation projects recently showed that the Federal Government very quickly recovers in a matter of a few years the entire cost of the project from additional income taxes alone.

Our whole domestic public works program is here put under attack as being irresponsible spending. As the gentleman from Minnesota has so aptly stated, I cannot see how some people can have this great concern over this public works program and its effect upon the Treasury, and, at the same time, have supported the appropriation made yesterday for foreign aid. It is my understanding that since 1947 for foreign aid, under one name or another, we have appropriated over \$50 billion. None of this will be reimbursed. According to the figures furnished to me by the Interior Committee of the House, as of June 30, 1952, our total expenditures by the Corps of Engineers—flood control, rivers and harbors, and so forth—the Bureau of Reclamation, Southwestern Power Administration, Southeastern Power Administration, Bonneville Power Administration, and Tennessee Valley Administration, amount to less than \$11 billion. As I have already stated, a substantial portion of this, particularly as concerns reclamation, is reimbursable. For the information of the House, the figures for this by States, and by purpose are as follows:

Federal expenditures, by States, on water conservation and control projects (1848 to June 30, 1952) with estimated repayable and nonreimbursable amounts

	Expenditures to June 30, 1952 ¹	Repayable ²	Nonrepayable
Alabama.....	\$366,385,923	\$181,108,238	\$185,277,685
Arizona.....	239,438,747	234,341,141	5,097,606
Arkansas.....	422,465,047	4,281,647	418,183,400
California.....	853,687,914	395,036,859	458,651,055
Colorado.....	195,289,985	144,338,144	50,951,841
Connecticut.....	35,442,100		35,442,100
Delaware.....	50,296,900		50,296,900
District of Columbia.....	8,910,583	47,283	8,863,300
Florida.....	160,675,000		160,675,000
Georgia.....	146,715,138	9,006,003	137,709,135
Idaho.....	119,285,823	81,120,272	38,165,551
Illinois.....	338,992,500		338,992,500
Indiana.....	77,896,500		77,896,500
Iowa.....	122,280,500		122,280,500
Kansas.....	99,386,570	10,156,176	89,230,394
Kentucky.....	421,659,114	119,544,678	302,114,436
Louisiana.....	593,870,200		593,870,200
Maine.....	13,818,000		13,818,000
Maryland.....	58,880,000		58,880,000
Massachusetts.....	105,545,300		105,545,300
Michigan.....	186,214,000		186,214,000
Minnesota.....	85,007,700		85,007,700
Mississippi.....	200,598,563	15,877,217	274,721,546
Missouri.....	360,735,723	3,192,723	357,543,000
Montana.....	301,276,320	136,720,663	614,546,657
Nebraska.....	169,109,566	51,986,753	117,122,813
Nevada.....	101,195,758	100,640,338	555,420
New Hampshire.....	14,422,300		14,422,300
New Jersey.....	127,409,900		127,409,900
New Mexico.....	61,046,512	34,314,901	26,731,611
New York.....	296,384,400		296,384,400
North Carolina.....	153,800,240	52,993,014	100,807,226
North Dakota.....	160,568,620	21,913,800	138,654,820
Ohio.....	225,965,100		225,965,100
Oklahoma.....	165,851,410	15,157,880	150,693,530
Oregon.....	473,019,080	111,919,337	361,099,743
Pennsylvania.....	323,865,900		323,865,900
Rhode Island.....	15,236,200		15,236,200
South Carolina.....	71,908,600	51,100	71,857,500
South Dakota.....	144,058,885	29,507,485	114,551,400
Tennessee.....	897,901,837	544,041,860	353,859,977
Texas.....	386,093,521	8,938,199	377,155,322
Utah.....	46,452,266	44,055,659	2,396,607
Vermont.....	14,082,200		14,082,200
Virginia.....	140,762,337	1,704,829	139,057,508
Washington.....	893,140,391	639,702,451	253,437,940
West Virginia.....	177,616,900		177,616,900
Wisconsin.....	114,045,300		114,045,300
Wyoming.....	136,972,070	123,745,847	13,226,223
Total.....	10,935,723,443	3,115,453,497	7,820,269,946

¹ Represents expenditures by Corps of Engineers, Bureau of Reclamation, Southwestern Power Administration, Southeastern Power Administration, Bonneville Power Administration, and Tennessee Valley Administration.

² Includes Bureau of Reclamation, Southwestern Power Administration, Southeastern Power Administration, Bonneville Power Administration, and Tennessee Power Administration. Corps of Engineers data not available.

Breakdown of total expenditures and total repayable

	Expenditures	Repayable
Corps of Engineers.....	\$7,245,017,000	
Bureau of Reclamation.....	2,158,185,988	\$1,923,985,655
Southeastern Power Administration.....	51,100	51,100
Southwestern Power Administration.....	20,162,924	20,162,924
Bonneville Power Administration.....	246,977,979	246,977,979
TVA.....	1,265,828,452	924,275,839

HOUSE MEMBERS OF CONGRESSIONAL DELEGATION TO ATTEND NATO PARLIAMENTARY CONFERENCE

The SPEAKER. Pursuant to the provisions of House Resolution 109, 84th Congress, the Chair appoints as members of the congressional delegation to attend the North Atlantic Treaty Organization Parliamentary Conference in Paris in July 1955, on the part of the House Messrs. HAYS of Ohio, SMITH of Mississippi, ANFUSO, JOHNSON of California, CRUMPACKER, and BECKER.

FARM CREDIT ACT OF 1955

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 298 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from Oregon [Mr. ELLSWORTH], and to myself such time as I may use.

Mr. Speaker, this resolution provides for the consideration under an open rule with 1 hour of general debate of the bill H. R. 5168.

I have no requests for time.

Mr. ELLSWORTH. Mr. Speaker, the bill made in order by the pending resolution is H. R. 5168, to provide for the retirement of Government capital in certain institutions operating under the provisions of the Farm Credit Administration, to increase borrower participation in the management and control of the Federal farm credit system, and for other purposes.

Mr. Speaker, at the hearing held by the Rules Committee it was revealed that in the early consideration of the bill by the Committee on Agriculture there was some opposition to certain sections. The Committee on Rules was told that the bill as amended and reported to the House by the Committee on Agriculture in almost all respects meets the objections raised to it.

The resolution (H. Res. 298) was reported unanimously by the Rules Committee. I believe the resolution should be adopted.

Mr. Speaker, I yield back the balance of my time.

Mr. EDMONDSON. Mr. Speaker, I move the previous on the resolution.

The previous question was ordered.

The resolution was agreed to.

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 5168) to provide for the retirement of Government capital in certain institutions operating under the provisions of the Farm Credit Administration, to increase borrower participation in the management and control of the Federal Farm Credit System, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration the bill H. R. 5168, with Mr. PRICE in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] will be recognized for 30 minutes, and the gentleman from Kansas [Mr. HOPE] will be recognized for 30 minutes. The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I yield 15 minutes to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Chairman, the bill we have before us does part of the job of reorganizing the Farm Credit Administration. I will understand it if Members feel that we come in here and ask for reorganization of the Farm Credit Administration each and every year. This is not quite the case, but you cannot be blamed for that feeling. Therefore, I think it might be well to go back and give a little history of the Farm Credit Administration.

The Farm Credit Administration grows out of the several farm credit institutions that have been established by the Congress over a period of years. The oldest of these is the land bank system established in 1916. Then we had established at later dates the cooperative credit system, then we had the production credit system. Each of those were at one time separate institutions. They were finally consolidated and for a long period of time were under the supervision of the Department of Agriculture.

The borrowers of those various agencies gradually began to feel they wanted to be considered an independent agency. A little over a year ago the Congress gave them an independent agency under the control of a board appointed by the President, representing 12 regions. That board in turn elects what is known as the Governor of the Farm Credit Administration. The Governor is the administrative officer of the system.

In the system we find the real estate or the long-time credit system which is made of the land banks, of which there are 12, 1 in each region. They were originally established with Government capital. These land banks in turn are owned by the national farm loan associations which are scattered all over the country. You do not find 1 in every county but on an average you will find that there is more than 1 in each congressional district. They are farmer co-operatives. They own the land banks. The land banks are now wholly owned by the national farm loan associations. The Government has been repaid. The national farm loan associations in turn are wholly owned by their borrowers. So that the real-estate credit is wholly farmer owned as of today. There is no Government capital in the land bank system.

Mr. MAHON. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Texas.

Mr. MAHON. In my opinion the gentleman from Texas is the best informed Member of the House in the field of agricultural credit. I want to commend him for the clarity of his remarks. I hope he will give a full discussion of all problems related to this bill. This would be helpful to the Members of the House and to the public generally.

Mr. POAGE. I thank the gentleman. I think it is clear that the land bank system is farmer owned, there is not any Government capital involved, although originally in 1916 the Government put up all of the capital. But that has all been retired. The borrowers now own the land bank system.

Probably next in order of organization was the production credit system, although there was a cooperative credit system established even prior to that time, but as we know it now, the production credit system is the next in order of time.

The production credit system involves that system which provides credit for a relatively short time, or for what we might call and it is called in the case of the banks, intermediate credit. That is not simply a 30- or 60-day credit, but a credit that involves the making of a crop or possibly the maturing and selling of a herd of cattle. It involves credit for stocking a ranch, for buying equipment for farms, for handling the ordinary necessary capital to operate a farm or ranch. It does not involve credit for the purchase of the real estate. This production credit is handled through a more complex system, and as I have seen it, a system which never was quite as satisfactory as the system of the land banks.

Mr. WILLIAMS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Mississippi.

Mr. WILLIAMS of Mississippi. While the gentleman is discussing the Federal land bank situation, a practice of the Federal land bank down in my area over the period of the last 20 years has been to withhold half of the minerals and reselling the land that has been

foreclosed and has come into possession of the land bank through foreclosure. The net result of that has been that thousands upon thousands of landowners in the State of Mississippi have been deprived of half of the minerals in the land that they purchased from the Federal land bank. It has created quite a bit of dissension and unrest among the farmers down in my area, most of whom lost their land to the Federal land bank back in the days of the depression. They feel—and I think rightly so—that it was never the purpose of the original act which permitted the setting up of the Federal land banks to permit their indulging in mineral speculation. Further, it has been reported to me that the Federal land bank in New Orleans has made what you might call excessive profits during the last several years following the discovery and development of several oil fields in Mississippi and Louisiana. Can the gentleman enlighten us as to the amount of dividends paid by the Federal Land Bank of New Orleans in particular over the past 8 or 10 years? It is my understanding that last year they paid almost 25 percent dividends.

Mr. POAGE. Unfortunately, I cannot enlighten the gentleman as to the specific amount of dividends paid by the New Orleans bank. Whatever these dividends have been, they have gone to the farmers who have borrowed or who are now borrowing from the bank. I can comment upon the policy that he refers to, however, because it has been a policy to which I have taken exception time and time again, and which, to my mind, is an extremely shortsighted policy. Of course, the bank at Houston has been involved in exactly the same transactions as the bank at New Orleans, and it probably has gone a great deal further than any bank in the United States, because it covers more land with known mineral deposits.

Mr. WILLIAMS of Mississippi. I am delighted to hear my friend say that, and I am glad that he realizes what the situation is. I hope that the Committee on Agriculture, or the appropriate committee, whichever committee it might be, may see fit to make a study of the operation of the Federal land banks all over the country, particularly with respect to their mineral dealings and mineral holdings, with a view toward making some determination as to what their future policy should be in regard to mineral speculation and withholding of these minerals from the landowners.

Mr. POAGE. Since the question has been raised, I want to take a moment to discuss it, although it may detract from my efforts to explain the structure of the Farm Credit Administration.

Mr. WILLIAMS of Mississippi. May I make one more remark?

Mr. POAGE. Surely.

Mr. WILLIAMS of Mississippi. The situation in my area in particular has reached the point where it appears to be developing almost into racket proportions. We are very much disturbed about it. I do hope that the Committee on Agriculture will have an opportunity to look into this matter thoroughly with

a view to correcting whatever bad situation may be prevailing.

Mr. POAGE. Mr. Chairman, may I say to my friend from Mississippi that this has been a matter of great concern to me personally, and has been a matter of considerable concern to the Committee on Agriculture. But we are faced with a very practical problem. I think the gentleman from Mississippi [Mr. WILLIAMS] will realize the difficulty of dealing directly with this situation. The land banks are engaged in a competitive business, as they should be. Private lenders provide a large portion of the farm credit of the United States, as we want them to, and we hope they continue to provide a substantial portion of the credit. As long as the private lending agencies have it within their power to make these reservations, the land-bank system has felt that they in turn should have the same power. I cannot speak for the entire system, but I have discussed this problem with the officers of the Houston bank, which covers Texas and a large portion of the mineral area. They recognize the problem fully. They recognize the evil of the practice of reserving these mineral rights.

They have done this much: They have gone to Austin and have urged the Legislature of Texas to pass legislation prohibiting the reservation of these mineral rights in perpetuity by anyone, whether it be the land bank, an insurance company, or anyone else. To my mind, that is the correct approach. That is the approach that should be used all over the country. It is a matter over which each and every State has complete jurisdiction. The States have the right to pass their own laws in regard to the ownership of real estate.

Personally, I have long been convinced that there is a grievous evil in allowing the separation of the mineral estates and to retain those estates separated over a long period of time without any development of the mineral estate.

I recognize that in passing such legislation there should be opportunities to develop the mineral estate separate from the surface estate where development dictates that. But for mere speculative purposes—and that is what the gentleman is referring to I am sure—it does work a hardship and, in my opinion, it is going to become worse if this practice is continued. Within the next 100 years the farmers and the ranchmen all over America are going to find themselves with absolutely no interest in mineral development.

Mr. BASS of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I do want to get back, let me say, before I yield to my friend from Tennessee, to explaining this bill. I am going to suggest that I shall gladly yield for any question relating to this bill, but I do not want to get too far away from the bill. I yield to the gentleman from Tennessee.

Mr. BASS of Tennessee. Mr. Chairman, I merely want to comment for the benefit of the Committee, and also for the benefit of the gentleman from Mississippi [Mr. WILLIAMS] that in subcommittee we did discuss this very subject of mineral rights and the division of

surface and mineral rights. The gentleman from Texas who is now speaking did express his deep concern over that matter, and his position was made known to the representatives of the land banks.

Mr. WILLIAMS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Mississippi.

Mr. WILLIAMS of Mississippi. I know the gentleman from Texas [Mr. POAGE] is concerned, as I am personally equally concerned, with this situation. I recognize that there is a wrong which should be corrected in some manner. I do hope the gentleman may use his talents and ability and efforts and influence in the Committee on Agriculture to see to it that the Federal land banks all over the United States are investigated so far as their profits are concerned and so far as the mineral holdings and mineral dealings are concerned, particularly with respect to whether or not they are improperly withholding minerals from the people in violation of the original intent of the law.

Mr. POAGE. May I again suggest to my friend from Mississippi that this is, as I conceive it, primarily a proposition for each and every State to determine for itself although I realize that if the States fail to act that this Congress may have to act. I would suggest that the State of Mississippi should make a decision promptly before it reaches the unhappy situation that my State has reached and that Oklahoma has reached and that certain others have reached, because it is much easier to get State legislation before these mineral rights have ripened than it is at a later date.

Mr. WILLIAMS of Mississippi. The gentleman is absolutely correct, except that I think we should remember that the Federal land bank is an agency which is a child or a subordinate of a Federal agency and is set up by Federal law. I believe it should be attacked not only by State law but also the Federal Government, which is the father of this agency, should certainly give consideration to the policies it is going to follow.

I thank the gentleman.

Mr. BURLESON. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Texas.

Mr. BURLESON. Since the gentleman is going to get back on the subject and the details of the bill before us, am I correct in assuming generally that what this bill does is for practical purposes of operation and otherwise to give the production credit associations autonomy other than the usual obligations which they assume for inspection, and so forth?

Mr. POAGE. No; I fear the gentleman is wrong. That is not what the bill undertakes to do. This bill is intended primarily to get Government capital out of the system.

Mr. BURLESON. I am inquiring if it does not give them a greater autonomy than they have now.

Mr. POAGE. I think it gives to the local production credit associations some greater assurance that they will be able to operate according to their own desires than they do today. It does re-

write some of the requirements in regard to the selection of directors, but this bill does very little for the production credit associations, as such.

I had just started the discussion of the production credit feature of the farm credit system when my attention was directed to the land banks and minerals estates.

The production credit associations are the local organizations that make loans to farmers who need production loans. In some areas the local borrowers own all of the stock of the production credit associations. That is true in the Texas area. The borrowers in the Texas area own all of the stock of the local PCA's. In some areas the Government still owns some of the stock of these local associations. In no area do the farmers own the stock of the refinancing institutions or the discount institutions. Nor do they own the stock of the supervising agency.

As I started to explain, this production credit is a more complicated situation than with the land banks, because the PCA's discount their paper with what are known as the intermediate credit banks, which are wholly Government-owned institutions. The intermediate credit banks discount not only the paper of the PCA's but also the paper of certain other privately owned local institutions. In our area we call these the old financial institutions. They are generally livestock loan institutions, but they, too, discount paper with the intermediate credit banks.

Then there is an institution in each area known as the Production Credit Corporation, which is the supervisory agency. It supervises the activities of the local PCA's, and examine their accounts.

There was a great deal of discussion in the committee as to whether the production credit corporations and the intermediate credit banks could not be consolidated into one institution. Some feel that they should be consolidated in one institution, some feel apparently like maintaining the two separate institutions. There was such wide diversity of opinion before our committee that we finally felt there was no practical way of providing legislation, for which we might hope to have general support at this session, if the bill should provide for the retirement of the Government capital from those two institutions, or from either one of them until the different groups had had further time for discussion.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from North Carolina.

Mr. COOLEY. We did assure those persons interested in the subject that we would continue to study the matter in the months ahead and would further consider it early in the next session.

Mr. POAGE. That is right. We requested the Farm Credit Administration to give us another report at the beginning of the next session and another recommendation as to how we might handle this problem, and I am sure each member of the Agriculture Committee intends to give further study to it. We

all recognize that we should pay off this Government capital. If the PCA's won't get together I am sure the committee will feel that it must take action anyway.

For the reasons I have mentioned, there is very little done to the PCA's in this bill because we took out of this bill, as it was originally introduced, the proviso for the purchase of stock in the production credit corporations by the local production credit associations. We expect to deal with this next year.

A third great field of farm credit is the cooperative credit. We have what is known as a bank for cooperatives in each of the farm credit regions. That bank for cooperatives lends money to such cooperatives as farmers' elevators, creameries, oil mills; to cooperatives gins and that type of cooperative enterprise which borrow their money in a large part from banks for cooperatives. There is some farmer money in the capital structure of this bank. The major portion of the capital still is Government owned in these banks for cooperatives. This bill provides a means, and one of the most important things in the bill, is the specific provision made here whereby the Government capital will be retired from the banks for cooperatives. For it will be substituted the capital placed there by the farmers themselves or the cooperatives that do business with them. That is achieved by issuing several different kinds of stock and requiring that any earnings be invested in stock and requiring that money be placed in proportion to the needs into the system by the borrowing agencies.

Mr. AVERY. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield.

Mr. AVERY. Could the gentleman from Texas tell me whether these big cooperative enterprises here in the metropolitan area can take advantage of the facilities of this bank for cooperatives?

Mr. POAGE. No.

Mr. AVERY. Is that reserved strictly for agricultural purposes?

Mr. POAGE. It is strictly for agricultural agencies. These banks are a part of the Farm Credit Administration.

Mr. AVERY. I thank the gentleman.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield.

Mr. MARSHALL. I have received a number of inquiries from production credit associations expressing objection to the bill. I note that in the bill the committee has stricken out language. Does the striking out of that language remove the objections of the production credit associations?

Mr. POAGE. So far as we know it removes the objections of the production credit associations.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. COOLEY. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. POAGE. As I explained a while ago, some of the production credit associations felt and still feel that there should be a consolidation of the intermediate credit banks and the production credit corporations. The production credit corporations are the administra-

tive and supervisory agencies and the banks are the rediscount agencies. Many people feel that one agency could serve every good purpose of the two. On the other hand, some production credit associations feel that it is desirable to maintain the two separate agencies. There was a vast difference of opinion on this point. Some of the production credit associations felt that they could assume the obligation of rapidly acquiring the stock of the supervisory agencies and they could take it up in 5 or 10 years. Other production credit associations said it was an utter impossibility. That depends largely upon the local situation of your production credit associations. It happens that in my part of the country all of the production credit associations are farmer owned. There is no Government money in them. In those areas where there is still considerable Government in the local associations there is an understandable reluctance to assume the purchase of even one agency.

Mr. MARSHALL. This bill, as I understand the gentleman from Texas, does not make any decision in that matter; is that correct?

Mr. POAGE. No, sir. It puts the decision off until next year.

Mr. MARSHALL. It is just referred back for further study?

Mr. POAGE. That is exactly right.

Mr. MARSHALL. The gentleman has answered the question I had in mind and I appreciate it very much.

Mr. POAGE. So far as we know there are no production credit associations now opposed to this bill. A great many feel we should take action, and we hope by next year it will be possible to take action that will provide a way of eliminating the Government capital in these production credit agencies. But this bill does not eliminate the Government capital in the production credit agencies. It does provide the elimination of Government capital in the cooperative credit agencies. The Government capital is already eliminated in the mortgage credit field. So with the passage of this bill, we will have gone two-thirds of the road—two-thirds of the way toward eliminating Government capital in this farm credit. By and large the great hope of the authors of this bill is to try to eliminate Government capital and to make this farm credit truly cooperative, farmer-owned, rather than a Government enterprise.

Mr. THOMSON of Wyoming. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield.

Mr. THOMSON of Wyoming. With the passage of this bill will these banks, being cooperatives themselves, qualify as a cooperative?

Mr. POAGE. They are cooperatives, yes. They will be cooperatives themselves, because they will be entirely owned by their members.

Mr. THOMSON of Wyoming. Will they enjoy any special tax benefits on the moneys they earn?

Mr. POAGE. I do not know of any benefit that they will enjoy that they do not enjoy today. The bill does not in any way change any of the tax laws.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I yield 10 minutes to the gentleman from Maine [Mr. McINTIRE].

(Mr. McINTIRE asked and was given permission to revise and extend his remarks.)

Mr. McINTIRE. Mr. Chairman, this bill comes before you today in response, basically, to legislation enacted in the Farm Credit Act of 1953. May I quote from that, because that act says:

To encourage and facilitate increased borrower participation in the management, control, and ultimate ownership under the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration.

First, may I commend the Farm Credit Board for the diligent manner in which they have sought out recommendations which came to our committee to discharge the responsibility placed on them under the Farm Credit Act of 1953.

I also want to commend our chairman and the committee for the hearings held on this legislation and for the opportunity for various units of the farm-credit system to appear before the committee and express very freely their constructive suggestions for amending this bill. I think it was a very excellent opportunity for those who opposed provisions of the bill to express themselves freely, and that the committee responded to those who were opposed to provisions of the bill by removing from the original bill certain sections in order that there might be given ample time by all interested parties to work out the constructive manner in which this end should be accomplished.

I think it should also be made a matter of record that the farm organizations, particularly the National Council of Farmer Cooperatives, which represents in their organization approximately 4,000 farm cooperative organizations, are strongly favoring this legislation. Their interest, of course, is particularly in that area dealing with a provision by which the Bank for Cooperatives can be owned by borrower organizations.

The American Farm Bureau is also on record favoring this legislation.

Our colleague, the gentleman from Texas [Mr. POAGE], has explained certain phases of the farm-credit system. I want to take just a few moments to touch upon 1 or 2 points in the bill.

The gentleman from Texas [Mr. POAGE] mentioned the fact that the objective of this bill, in relation to that part of it dealing with the banks for cooperatives, is to provide the legislative framework by which, over a period of time, organizations using the facility of the district bank and the central bank could acquire full ownership and retire the Government capital which now rests in the capital structure unit of this farm-credit system.

The details of the legislation accomplishing this objective, I think, is perhaps a bit technical, but let me say that in my opinion, and I think that of my colleagues on the committee, this legis-

lation provides not only the vehicle by which the Government capital may be retired over a reasonable length of time, but it also provides a vehicle by which the ownership and management of this system will rest in the member cooperatives that participate in its use.

As the gentleman from Texas mentioned, there are a very few provisions in this bill which would touch upon the production credit associations. Those provisions are, roughly, sort of house-keeping provisions to assist in some technical arrangement in relation to reserve and surplus accounts and guaranty funds. In that provision of the bill, however, that deals with the Federal land bank, there is one portion to which I would like to address myself for a few moments because I think it does establish a fundamental change from procedure in use since the land banks were established. I believe the record should show at least the opinion of one member of the committee, an expression of opinion as to what the provision means. I refer to section 303 of the bill which is referred to in the report accompanying this legislation on page 19. It refers particularly to appraisals by land bank designees.

It has been an inherent part of the land bank system to which we are referring at this time, that an appraisal shall be made by land bank appraisers, who are public officials appointed by the Appraisal Subdivision of the Farm Credit Administration as we know it today. These appraisers have been responsible solely to the Appraisal Subdivision for the standards by which they appraise property and the accountability of the appraiser in relation to the performance of his duty. That has been the custom down through the years; and it has been the responsibility of the Appraisal Subdivision to maintain and set, and to review and reestablish currently as time might require, the levels of value to which appraisals shall be made and upon which loans must be made. They have, you might say, held in trust that responsibility to the bondholders, who invest in the consolidated bonds of the system.

After all of these years of experience it has been recommended to the committee, and is a part of this legislation, that we move away a bit from this procedure and provide that experienced people, like secretary-treasurers of national farm loan associations who meet the qualifications do this appraisal work. This law provides that within 1 year after a loan has been made on an appraisal of a land fund designee an appraisal shall be made by a land bank appraiser.

And the point that I think should be a matter of record in order that there may be no misunderstanding is that when the appraisal is made by what is indicated here as a land bank designee and the loan closed, that the appraisal made by a land bank appraiser within the following 12 months shall not in any way affect the loan made by the National Farm Loan Association and accepted by the land bank of that district. It will not change the status of the loan and the relationship of the National Farm Loan

Association to the banks and their endorsed liability will not change by virtue of the reappraisal. This appraisal by the land bank appraiser will come into effect only to determine whether or not the land bank designee in appraising the property has conformed with the usual standards. And it will also, of course, reflect the portion of that loan, if there happens to be any difference in ideas relative to value, that could be offered as collateral to any consolidated bond issues of the system. There is no change in the statute that provides that a land bank loan shall be made not in excess of 65 percent of the normal agricultural value of the property upon which the loan is to be made. It should be understood the appraisal subdivision has full responsibility and control in establishing levels of value to be used in appraisal work by the respective land bank districts.

The CHAIRMAN. The time of the gentleman from Maine has again expired.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. McINTIRE. Mr. Chairman, there are provisions in this bill for increasing the maximum loan; there are also provisions in this bill in relation to some technical matters dealing with the relationship of the volume of loans to the capital structure of the National Farm Loan Association. There are also some provisions in relation to the Federal Farm Credit Board and also the directors of the district board. These are technical matters to effect a better administration and better timing in relation to election.

Mr. Chairman, this is a good bill and I urge its passage.

Mr. POAGE. Mr. Chairman, I yield 2 minutes to the gentleman from Florida [Mr. MATTHEWS].

Mr. MATTHEWS. Mr. Chairman, H. R. 5168 is an excellent piece of legislation and I sincerely hope the House will pass it by an overwhelming vote.

I am particularly grateful to the members of the committee for deleting from the original legislation which was suggested to us that part of the legislation which would require the production credit associations to purchase the stock of the production credit corporations at this time. As the distinguished gentleman from Texas [Mr. POAGE] so ably stated, these production credit associations are the very heart of the farm credit system in many of the areas of our country.

There are four of these production credit associations in the Eighth District of Florida that I have the honor to represent. These associations felt that they should not be required to purchase the stock of the production credit corporations at this time because they were fearful of the expense involved and they were somewhat concerned about the details of supervision. After studying the bill and listening to testimony I think perhaps there might be some merit in making the Production Credit Corporation a part of the intermediate credit bank. However, I think the committee was wise

in delaying that particular aspect of the bill until we had further time to study it. I want to thank the committee for the farmers of my district for doing that because I think no harm can be done if we delay for another year and study this matter in the meantime.

Mr. Chairman, we now have a bill that meets with the unanimous approval of all the members of the Committee on Agriculture and a great majority of the others who testified in behalf of the legislation and, as I previously stated, I sincerely hope this bill will be passed by an overwhelming vote.

The CHAIRMAN. There being no further requests for time, the Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Farm Credit Act of 1955."

TITLE I—BANKS FOR COOPERATIVES

SEC. 101. Section 42 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"Sec. 42. (a) Classes of stock; ownership; voting rights; dividends; and retirement of stock: Except as provided in section 111 of the Farm Credit Act of 1955, each regional bank for cooperatives shall have the following classes of stock, all of which shall have a par value of \$100 per share:

"(1) Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States, and stock of such banks held by the Governor on the effective date of title I of the Farm Credit Act of 1955 shall be exchanged, share for share, for class A stock of the respective banks. Class A stock shall be non-voting and no dividends shall be paid thereon. At the end of each fiscal year, each of such banks, subject to the provisions of sections 33 and 40, shall determine the amount of class A stock that shall be retired at par by that bank. The minimum amount of class A stock that shall be retired shall be the equivalent in dollar value of the amount of class C stock issued for that year, except that class C stock issued by a regional bank on account of class C stock issued to it by the central bank, class C stock issued by a regional bank in exchange for class B stock the proceeds of which were used to retire an equivalent amount of class A stock, and class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of title I of the Farm Credit Act of 1955, shall not be included in such bank's calculation. Any amount of class A stock retired in excess of such minimum amount in one year may be used to reduce to that extent the amount of such stock required to be retired in any subsequent year. Funds from the retirement of class A stock shall be paid into the revolving fund authorized by the Agricultural Marketing Act, as amended, and shall continue to be available for the purchase of class A stock in the banks in accordance with sections 33 and 40.

"(2) Class B stock may be issued in series and amounts approved by the Farm Credit Administration, and may be sold or transferred to any person subject to the approval of the issuing bank. Such stock shall be issued only at par and shall be nonvoting. Any bank may pay dividends of not to exceed 4 percent per annum on class B stock if declared by the board of directors and approved by the Farm Credit Administration and if the surplus account of the bank, after payment of such dividends, will not be less than 25 percent of the sum of all its outstanding capital stock. Dividends on class B stock shall not be cumulative, but no bank shall distribute in any year any of its net savings as patronage refunds as provided in section 36 (a) unless for that year a dividend of at

least 2 percent is declared and paid upon outstanding class B stock of the bank. Each series of class B stock shall be issued only with the approval of the Farm Credit Administration and shall carry on the face of each certificate a statement of the maximum dividend which may be declared and paid thereon and of the minimum dividend which shall be declared and paid thereon before the bank may distribute any of its net savings as patronage refunds: *Provided*, That such maximum and minimum dividends may be the same amount. After all class A stock has been retired, class B stock may be called for retirement at par with the approval of the Farm Credit Administration and shall be called in such manner that the oldest outstanding stock at any given time will be retired first. Any holder of class B stock whose stock has been called for retirement may elect, with the approval of the issuing bank, to leave his stock in the bank subject to its being included in the next call for retirement.

"(3) Class C stock, except as approved by the Farm Credit Administration and consented to by the issuing bank, may be issued only to banks for cooperatives and farmers' cooperative associations as defined in section 15 (a) of the Agricultural Marketing Act, as amended. Such stock may be issued in fractional shares, shall be issued at its fair book value not exceeding par, as determined by the bank, and no dividends shall be paid on it. Each holder of one or more shares of class C stock which is eligible to borrow from a bank for cooperatives shall be entitled to one vote only: *Provided*, That any such holder within the period of 2 years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting has not been a borrower from a bank of which it holds class C stock shall not be entitled to vote. From time to time each bank for cooperatives shall obtain information concerning its class C stockholders to determine whether they continue to be eligible to borrow from the bank and to vote. Any class C stockholder found by the bank to be ineligible to borrow shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank. Whenever in section 5 of the Farm Credit Act of 1937, as amended, and section 4 (a) of the Farm Credit Act of 1953, provision is made for a nomination or election by cooperatives which are stockholders or subscribers to the guaranty fund of any bank for cooperatives the term 'cooperatives which are stockholders or subscribers to the guaranty fund' or the equivalent of that term, shall mean such cooperatives which are eligible to vote. Each borrower from a bank for cooperatives shall be required to own at the time the loan is made at least one share of class C stock. The purchase price of such stock may be retained out of the loan. In addition, each borrower as defined by the Farm Credit Administration for purposes of this sentence, shall be required to invest quarterly in class C stock an amount equal to not less than 10 nor more than 25 percent, as prescribed by the board of directors of the bank with the approval of the Farm Credit Administration, of the amount of interest payable by it to the bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of the borrower are payable, but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during the year. Each regional bank shall purchase at least one share of class C stock of the central bank. In addition, the regional bank shall be required to invest quarterly in class C stock of the central bank an amount equal to not less than 10 nor more than 25 percent, as prescribed by the board of directors of the central bank with the

approval of the Farm Credit Administration, of the amount of interest payable by the regional bank to the central bank during the calendar quarter by reason of any interest purchased by the central bank in a loan made by the regional bank. Payments for such stock shall be made to the central bank and the stock shall be issued to the regional bank in the same manner, insofar as practicable, as is provided in this section for payments for and issuance of stock on account of loans by the regional bank in which the central bank does not purchase any interest. Subject to rules prescribed by the board of directors of the lending bank with the approval of the Farm Credit Administration a borrower may convert class B stock into class C stock for the purpose of making the investment in class C stock required by this paragraph. After retirement of all class A stock, class C stock also may be retired at par by calling the oldest outstanding class C stock, but class C stock that was issued for a fiscal year period shall not be called for retirement until all class B stock that was issued during or prior to that fiscal year has been called for retirement.

"(b) Guaranty fund subscriptions in lieu of stock: If a cooperative association is not authorized under the laws of the State in which it is organized to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit to the guaranty fund, a sum equal to the amount of class C stock which the association would otherwise be required by subsection (a) (3) of this section to own at the time the loan is made and to purchase thereafter. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of class B stock, and shall receive credits to such fund in lieu of patronage refunds payable in class C stock. Each reference in this act to capital stock or class B or class C stock shall include also the guaranty fund equivalents of such stock, and, to the extent permitted under the laws of a State in which a cooperative association is organized, a holder of guaranty fund equivalents of either class B or class C stock shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the bank as respects such guaranty fund equivalents shall be identical to its rights and obligations as respects class B or class C stock, respectively.

"(c) Lien on stock: Except as hereinafter provided in the case of an association which is a direct borrower from the central bank, each bank for cooperatives shall have a first lien on all stock in the bank owned by each cooperative association as additional collateral for any indebtedness of such association to the bank. In the case of an association which is a direct borrower from the central bank, the central bank shall have a first lien on any amount of class C stock which the borrowing association owns in any regional bank on account of direct loans of such association from the central bank; and the regional bank shall have a lien on such stock junior only to the lien of the central bank. In any case where the debt of a borrower is in default, the bank may, in accordance with regulations of the Farm Credit Administration, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof, not exceeding par, in total or partial liquidation of the debt, as the case may be, and, to the extent required, corresponding shares held by a regional bank in the central bank shall be retired.

"(d) Calculation of proportionate interests in banks: For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional

bank for cooperatives held by cooperatives the term 'capital stock and subscriptions to the guaranty fund held by cooperatives' or the equivalent of that term shall also mean all outstanding class B and class C stock and the guaranty fund equivalents thereof."

SEC. 102. Section 35 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"SEC. 35. Application of regional bank stock provisions to central bank: All provisions of law with respect to class A, class B, and class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives, except as they may be inconsistent with the provisions of this section. Each borrower from the central bank shall be required to own at the time the loan is made at least 1 share of class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in class C stock in such regional bank or banks as the Farm Credit Administration shall designate an amount equal to not less than 10 nor more than 25 percent, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by such borrower to the central bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of such borrower are payable, but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during such year. The regional bank whose stock is so issued to such borrower shall purchase a corresponding amount of class C stock in the central bank."

SEC. 103. Section 36 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"SEC. 36. (a) Application of savings: Each bank for cooperatives, at the end of each fiscal year, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 percent of any remaining savings shall be used to create and maintain a surplus account; (3) if said bank shall have outstanding capital stock held by the United States during the whole or any part of the fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 percent of its net savings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by Secretary of the Treasury; (4) reasonable contingency reserves may be established; (5) dividends on class B stock may be declared as provided in section 42 (a) (2); and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (b) of this section: *Provided* That any patronage refunds received by a regional bank from the central bank shall be excluded from net savings of the regional bank for the purpose of computing such franchise tax. Amounts applied as provided in (2) and (4) above after the effective date of title I of the Farm Credit Act of 1955 shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year, any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceeds 25 percent of the sum of all its outstanding capital stock, the bank may distribute in the same manner

as a patronage refund any part or all of such excess which has been allocated. In making such distributions, the oldest outstanding allocation shall be distributed first. Wherever used in this act, the words 'surplus account' as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 and any amounts applied as provided in (2) above after the effective date of said title I. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this section and may be further subdivided as prescribed by the Farm Credit Administration. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus pro-rata in accordance with the second sentence of subsection (c) of this section, fourth, the impairment of class C stock; and fifth, the impairment of all other stock.

"(b) Patronage refunds: The patronage refunds of each regional bank for cooperatives shall be paid in class C stock to borrowers, as defined by the Farm Credit Administration for the purposes of this subsection, during the fiscal year for which the refunds are declared. Patronage refunds of the Central Bank for Cooperatives shall be paid in class C stock to the regional banks for cooperatives upon the basis of interests held by the central bank in loans made by the regional banks and upon direct loans made by the central bank to cooperative associations; and any part of such refunds derived from such direct loans of the central bank shall be paid in class C stock issued to the regional bank or banks which issued to the borrower the stock incident to the loans, or to a regional bank or banks designated by the Farm Credit Administration, and such bank or banks shall issue a like amount of class C stock to the borrowers. All patronage refunds shall be paid in the proportion that the amount of interest earned on the loans of each borrower bears to the total interest earned on the loans of all borrowers during the fiscal year.

"(c) Application of assets on liquidation or dissolution: In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves then remaining shall be distributed as provided in this subsection. If necessary in absorbing losses, allocated contingency reserves and allocated surpluses shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration and other contingency reserves and surpluses shall be used pro rata. Any surpluses and contingency reserves which were on hand as of the effective date of said title I, shall be apportioned on the basis of stock ownership in the bank on such date and that part of such surpluses and reserves so apportioned to stock owned by the United States, shall be paid into the Treasury as miscellaneous receipts and that part of such surpluses and reserves so apportioned to stock owned by the

United States shall be distributed to the regional banks on the basis of stock held by them in the central bank, and the amount so distributed shall be added to the corresponding surplus and reserve of each regional bank subject to payment into the Treasury as miscellaneous receipts upon liquidation or dissolution of such regional bank. Any allocated surpluses and allocated contingency reserves then remaining shall be distributed as allocated on the books of the bank."

SEC. 104. Section 31 of the Farm Credit Act of 1933 is amended to read as follows:

"Sec. 31. Board of Directors of Central Bank. The Central Bank for Cooperatives shall have seven directors. Of this number four shall be appointed by the Governor of the Farm Credit Administration, by and with the advice and consent of the Federal Farm Credit Board, and three shall be elected by the regional banks for cooperatives and cooperative associations: *Provided*, That the terms of office of directors established prior to the effective date of title I of the Farm Credit Act of 1955 shall continue through the 31st day of December next following the effective date of said title I and shall expire at the end of that day. Three of the directors appointed by the Farm Credit Administration shall be appointed for terms of 1 year, 2 years, and 3 years, respectively, as designated at the time of appointment and the fourth appointed director shall be appointed for a term of 3 years and thereafter each appointed director shall be appointed for a term of 3 years. Any appointed director may be removed at pleasure at any time by the Farm Credit Administration. The Farm Credit Administration shall prescribe rules and regulations for the nominations and elections required by this section. Sufficiently in advance of the 1st day of January next following the effective date of title I of the Farm Credit Act of 1955, and at any time subsequent to the enactment thereof, the Farm Credit Administration shall take all action necessary in order to permit the elections hereby provided and shall group the several farm credit districts into 3 areas, each of which shall be comprised of 4 contiguous farm credit districts, and a director shall be elected from nominees from each of such areas by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote. The 3 elected directors shall be elected for terms of 1 year, 2 years, and 3 years, respectively, as shall be designated by the Farm Credit Administration and thereafter elected directors shall be elected for terms of 3 years: *Provided*, That whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall equal or exceed 66⅔ percent of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of said bank as of the date 3 months before the expiration of the term of office of any appointed director, except the fourth appointed director, whose term next expires, the successor to such director shall be elected from nominees for a term of 3 years by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote on a basis of areas comprised of 2 contiguous farm credit districts as designated by the Farm Credit Administration. Appointed directors except the fourth appointed director shall continue to be replaced by elected directors in accordance with the foregoing provisions until the total number of elected directors shall be 6, elected 1 from each of 6 such areas comprised of 2 contiguous farm credit districts. Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to

the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall not equal or exceed 66⅔ percent of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of the banks as of the date 3 months before the expiration of the term of office of any elected director whose term next expires, the successor to such elected director shall, if the number of elected directors then exceeds 3, be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board for a term of 3 years. In any such case where only 1 additional appointed director is needed in order to increase the total number of appointed directors to 4, and the terms of office of more than 1 elected director next expire, the Farm Credit Administration shall designate the 1 of such next expiring terms of office which shall be replaced by the additional appointed director. Any vacancy in the Board whether filled by appointment or by election shall be filled for the unexpired term in the same manner in which the vacant office was filled. Each regional bank for cooperatives, each cooperative association which is a direct borrower from the central bank, each holder of 1 or more shares of class C stock in a regional bank for cooperatives which is eligible to vote under section 42 (a) (3), and each holder of 1 or more shares of stock in the central bank or any regional bank for cooperatives issued before the effective date of title I of the Farm Credit Act of 1955 which is eligible to vote shall be eligible to vote for directors of the central bank and each such holder shall be entitled to 1 vote only without regard to the number of shares held in any 1 or more of said blanks, and the vote of any such holder of stock in more than 1 bank shall be cast only with respect to elections in the area in which is located the main office of such holder. Elected directors shall have been, for at least 2 years, residents of the area for which they are elected. No person shall be eligible for nomination, election, or appointment as a director if such person has within 1 year next preceding the commencement of the term being a salaried officer or employee of the Farm Credit Administration or of any corporation operating under its supervision. Any person who is a member of the Federal Farm Credit Board or a district farm credit board when appointed or elected as director shall resign as a member of the Federal Farm Credit Board or the district board before assuming his duties as director of the central bank. No person who becomes such director shall be eligible to continue to serve if he becomes a member of the Federal Farm Credit Board or any district farm credit board or an officer or employees of the Farm Credit Administration or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

SEC. 105. Section 32 of the Farm Credit Act of 1933 is amended to read as follows:

"Sec. 32. Powers of Board of Directors of Central Bank: The Board of Directors of the Central Bank for Cooperatives shall elect a Chairman and Vice Chairman from among its members. The powers of the Board of Directors shall be such powers as may be prescribed in the charter and bylaws with the approval of the Farm Credit Administration: *Provided*, That said Board without limitation of powers conferred by section 60 shall have power, subject to approval of the Farm Credit Administration, to appoint and fix the compensation of the chief executive officer and such other officers and employees, experts, and consultants as may be necessary for the efficient conduct of the bank's busi-

ness: *Provided further*, That the chief executive officer of the bank shall not be an officer or employee of the Farm Credit Administration."

SEC. 106. Section 38 of the Farm Credit Act of 1933 is amended by adding at the end of said section the following new sentence: "After the effective date of title I of the Farm Credit Act of 1955 any amendment in the terms of the charter issued to any bank for cooperatives and any regulation issued under authority of this section or otherwise affecting lending operations of any such bank shall be consistent with the principle that the central bank shall make loans only in cases where it is not practicable for the loan to be made by a regional bank."

SEC. 107. Section 41 of the Farm Credit Act of 1933, as amended, is amended by adding a new paragraph as follows:

"Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank."

SEC. 108. (a) Section 33 of the Farm Credit Act of 1933 is amended by striking the words "Chairman of the Board" in the last sentence of said section and substituting in lieu thereof the words "Board of Directors."

(b) Section 34 of the Farm Credit Act of 1933, as amended, is amended by striking the words "Chairman of its Board of Directors" in the first paragraph of said section and substituting in lieu thereof the words "Farm Credit Administration."

SEC. 109. Subsection (a) of section 8 of the Agricultural Marketing Act, as amended, is amended to read as follows:

"(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 percent per annum on the unpaid principal of a loan."

SEC. 110. (a) Section 65 of the Farm Credit Act of 1933 is amended by striking the word "regional" in the first sentence of said section.

(b) Section 66 of the Farm Credit Act of 1933, as amended, is hereby repealed.

(c) The second sentence of section 7 (a) of the Farm Credit Act of 1953 is hereby repealed.

(d) Section 6 of the act approved January 23, 1932 (47 Stat. 14), is amended by adding immediately following the comma after the word "Act" where it first appears the following: "the Farm Credit Act of 1933."

SEC. 111. This title shall be applicable to loans made before its effective date from the date on which they may be changed by agreement to conform hereto, otherwise, except as provided in this title, such loans shall be treated as though this title had not been enacted. Any cooperative association owning capital stock or guaranty fund credits in any bank for cooperatives issued before the effective date of this title which is eligible to vote shall, as long as such eligibility continues, be entitled to vote to the same extent as a holder of class C stock which is eligible to vote; any cooperative association owning such stock or guaranty fund credits shall be entitled to have such stock or credits retired as though this title had not been enacted; and any such association may with the consent of the bank have such stock or credits, if it is found eligible to own class B or class C stock, converted in whole or in part into Class B or class C stock or equivalent guaranty fund credits: *Provided*, That any bank

for cooperatives with the approval of the Farm Credit Administration may retire at any time capital stock or guaranty fund credits issued before the effective date of this title held by any cooperative association and may hold the proceeds of such retired stock or guaranty fund credits as security for any indebtedness of the association to the bank.

SEC. 112. This title shall take effect on the first day of the month next following 120 days after its enactment.

TITLE II—PRODUCTION CREDIT SYSTEM

SEC. 201. Section 4 of the Farm Credit Act of 1933 is amended to read as follows:

"SEC. 4. (a) Classes of stock; amount; par value; ownership; dividends; preference upon liquidation: Each production credit corporation shall have the following classes of stock, all of which shall have a par value of \$100 per share:

"(1) Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States in exchange share for share for stock of the respective production credit corporations held by the Governor on the effective date of title II of the Farm Credit Act of 1955. Class A stock shall be nonvoting and no dividends shall be paid thereon. At the end of each fiscal year, each of such corporations shall determine the amount of class A stock that it shall retire, which shall not be less than 10 percent of the amount of stock of the corporation held by the Governor on behalf of the United States on the effective date of title II of the Farm Credit Act of 1955: *Provided*, That any amount retired in excess of such 10 percent in 1 year may be used to reduce to that extent the amount of stock required to be retired in any subsequent year. Funds from the retirement of class A stock shall be paid into the revolving fund authorized by section 5 and shall continue to be available for the purchase of class C stock in accordance with paragraph (3) of this subsection.

"(2) Class B stock may be issued only to production credit associations. Such stock shall be issued at par and no dividends shall be paid on it. Each holder of class B stock shall be entitled to one vote for each share of stock held by it. Each production credit corporation shall from time to time determine the amount of its class B stock which shall be subscribed to and purchased by the production credit association of the district. The minimum amount of such stock subscribed to and purchased by such associations shall not be less than an amount computed as the sum of the following: As to each association, 3 percent of the amount of its stock held by persons other than the corporation or \$5,000, whichever is the greater. The subscriptions to such stock by the associations shall be allocated by the corporation upon an equitable basis and the amounts of subscriptions and purchases of such stock by the associations may be adjusted annually: *Provided*, That such stock of a corporation outstanding shall not be less than such minimum. The stock ownership requirements of this subsection shall also apply to any association organized after the effective date of title II of the Farm Credit Act of 1955. In case of liquidation or dissolution of any association, the stock of the corporation owned by such association shall be canceled and the association paid the par value of such stock.

"(3) Class C stock may be issued in amounts approved by the Farm Credit Administration. The Governor of the Farm Credit Administration may purchase class C stock of any production credit corporation from time to time in such amounts as he determines are required to meet the credit needs of the district served by such corporation. Payments for stock purchased by the Governor shall be made out of the revolving

fund authorized by section 5 and such stock shall be held by him on behalf of the United States. Class C stock shall be issued only at par and shall be nonvoting. When declared by its board of directors and approved by the Farm Credit Administration, any such corporation may pay dividends on Class C stock at a rate not exceeding the average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year next before any such dividend is so declared, as certified to the Farm Credit Administration by the Secretary of the Treasury. Dividends on class C stock shall not be cumulative. After all class A stock has been retired, class C stock may be called for retirement at par in amounts approved by the Farm Credit Administration.

"(4) In the case of liquidation or dissolution of any production credit corporation, after the payment or retirement, as the case may be, first, of all liabilities; second, of all class A stock at par and all class C stock at par; any sums remaining shall be paid pro rata to the holders of outstanding class B stock.

"(b) Payment of expenses of production credit corporations by production credit associations: Beginning on the effective date of title II of the Farm Credit Act of 1955 expenses of each production credit corporation shall be allocated in such manner and amounts as shall be determined by the board of directors of the corporation and shall be paid by the production credit associations of the district: *Provided*, That such allocations shall be made annually and shall be progressively increased in such manner that no later than the 10th year after the effective date of title II of the Farm Credit Act of 1955 all expenses of the corporation not covered by income of the corporation shall be paid by such associations.

"(c) Postponement of stock retirement and payment of expenses under special circumstances: Notwithstanding the foregoing provisions of this section—

"(1) the board of directors of a production credit corporation may, because of adverse conditions in the district, reduce the amount of class A stock to be retired during any year to the extent the board determines necessary in order to meet the credit needs of the district: *Provided*, That all class A stock of the corporation shall be retired on or before the end of the 10th year after the effective date of title II of the Farm Credit Act of 1955; and

"(2) the board of directors of a production credit corporation may, because of adverse conditions in the district, defer in whole or in part the amounts which otherwise would be paid by the production credit associations under subsection (b) of this section in any year to the extent the board determines necessary in order to enable the associations to provide adequate credit service to farmers at reasonable costs: *Provided*, That after the 13th year following the effective date of title II of the Farm Credit Act of 1955 all expenses of the corporation not covered by income of the corporation shall be paid by such associations.

"(d) Any action by the board of directors of any production credit corporation under the provisions of this section shall be subject to the approval of the Farm Credit Administration."

SEC. 202. Section 21 of the Farm Credit Act of 1933 is amended by striking out of the fifth sentence the words "all stock shall share in dividend distributions without preference" and substituting therefor the words "Dividends may be paid on class A and class B stock without preference or on class A stock alone, as the board of directors of the association may determine."

SEC. 203. Section 22 of the Farm Credit Act of 1933 is amended to read as follows:

"SEC. 22. (a) Each production credit association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the production credit corporation.

"(b) A production credit association may pay dividends of not to exceed 7 percent per annum when such payments are approved by the production credit corporation of the district and are consistent with policies established under regulations issued by the Farm Credit Administration."

SEC. 204. The amounts in the guaranty fund reserve and the reserve account for bad and doubtful debts of each production credit association shall, as of the effective date of this title, be transferred to the surplus account of such association established pursuant to the provisions of section 22 of the Farm Credit Act of 1933 as amended by section 203 of this title.

SEC. 205. Section 23 of the Farm Credit Act of 1933 is amended to read as follows:

"SEC. 23. Each production credit association shall, under such rules and regulations as may be prescribed by the production credit corporation of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the corporation. No borrower shall be indebted to the association at any one time in an amount in excess of 15 percent of the capital and surplus of the association unless the loan has the prior approval of the corporation, or in excess of 35 percent of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock of the association in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21 of this act."

SEC. 206. The last sentence of section 63 of the Farm Credit Act of 1933 is hereby amended to read as follows: "The exemption provided herein shall not apply with respect to any production credit association or its property or income after the class A stock held in it by the production credit corporation has been retired, or with respect to the Central Bank for Cooperatives, or any production credit corporation or bank for cooperatives, or its property or income after the stock held in it by the United States has been retired."

SEC. 207. (a) The Government Corporation Control Act is amended by deleting from section 101 the following: "production credit corporations;"; by inserting "production credit corporations, (4)" in section 201 immediately following "(3)"; and by changing "(4)" to "(5)".

(b) Section 3679 of the Revised Statutes, as amended, is amended by striking the period at the end of subsection (d) (2) of said section and adding in lieu thereof the following: ", or to any production credit corporation organized pursuant to the Farm Credit Act of 1933."

(c) No appropriation Act shall apply to a production credit corporation on and after the effective date of this title.

SEC. 208. This title shall become effective the first day of the fiscal year next commencing after its enactment.

TITLE III—FEDERAL LAND BANK SYSTEM

SEC. 301. Sections 3, 7, and 8 of the Federal Farm Loan Act, as amended, are amended—

(a) by changing next to the last paragraph of section 3 to read as follows: "The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filed out by each such association or bank and transmitted to said administration as required by it.";

(b) by changing the fifth sentence of the fourth paragraph of section 7 to read as follows: "He shall make a report to the Farm Credit Administration as required by it upon forms to be provided for that purpose."; and

(c) by deleting the last sentence of section 8.

SEC. 302. The last paragraph of section 5 of the Federal Farm Loan Act, as amended, is repealed.

SEC. 303. Section 10 of the Federal Farm Loan Act, as amended, is amended by adding at the end thereof a new paragraph as follows:

"Notwithstanding any other provision of this act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this act, if otherwise qualified thereunder: *Provided*, That, within 1 year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 percent of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons."

SEC. 304. Section 12 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing paragraph "Fourth" to read as follows: "Such loans may be made for general agricultural purposes and other requirements of the owner of the land mortgaged, under rules and regulations of the Farm Credit Administration.";

(b) by striking out the period at the end of the second sentence of paragraph "Fifth" and adding the following: "; and, consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm.";

(c) by striking out "the raising of livestock" wherever it appears in next to the last sentence of paragraph "Sixth" and sub-

stituting therefor "farming operations" and by striking out of such sentence "Land Bank Commissioner" and substituting therefor "Farm Credit Administration"; and

(d) by striking out "\$100,000" from paragraph "Seventh" and substituting therefor "\$200,000" and by striking out of such sentence "but loans to any one borrower shall not exceed \$25,000 unless approved by the Land Bank Commissioner."

SEC. 305. Paragraph "Nineteenth" of section 13 of the Federal Farm Loan Act, as amended, is amended by adding at the end thereof a new sentence as follows: "Such a deferment may be permitted for other purposes for a period not exceeding 5 years under regulations prescribed by the Farm Credit Administration."

SEC. 306. (a) That part of section 23 of the Federal Farm Loan Act, as amended, which precedes the last paragraph, is amended to read as follows: "Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 percent of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 percent of the net earnings shall be added thereto semiannually until said reserve account shall show a credit balance equal to 150 percent of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 percent of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid."

"After deducting the 50 percent or the 10 percent hereinbefore directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration."

"The reserves of land banks shall be invested in accordance with rules and regulations prescribed by the Farm Credit Administration."

(b) The second sentence of section 24 of the Federal Farm Loan Act, as amended, is amended by striking out the period at the end thereof and adding the following: "until said reserve account shall show a credit balance equal to 50 percent of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 percent of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration."

(c) The amendments made by (a) and (b) of this section shall become effective on the next January 1, or July 1, whichever first succeeds enactment hereof.

SEC. 307. Section 601 (a) of the Department of Agriculture Organic Act of 1944 is amended by inserting after "Federal land banks," the second time it appears therein, "national farm loan associations,"; by striking out "joint-stock land banks," wherever it appears therein; and by striking out the period at the end thereof and inserting ", except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration."

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. Section 5 (d) of the Farm Credit Act of 1937, as amended, is amended—

(a) by substituting "six months" for "three months" wherever it occurs in paragraph (2) thereof; and

(b) by adding at the end thereof a new paragraph as follows:

"(4) As directed by the Farm Credit Administration, the election of a director under section 5 (d) (2) by any group may be begun any time within 6 months before the expiration of the term of office to which the director is to succeed, subject to the required determination being made as of the date 6 months before the expiration of such term of office that a director so elected by such group is to serve in lieu of a district director (or third district director)."

SEC. 402. Section 4 of the Farm Credit Act of 1953 is amended—

(a) by inserting in the first proviso in subsection (a) "all persons so tied shall be considered designated as nominees" in lieu of "the procedure prescribed therein shall be followed again until the tie is broken";

(b) by inserting before the period at the end of the second sentence of subsection (b) ", except that one full term of 6 years shall be considered to include an additional 4 months if the particular term is one which was legally extended for an additional 4 months"; and

(c) by adding the following additional sentence at the end of subsection (c): "All terms of office which otherwise would expire on November 30 of any year following enactment of this sentence are extended 4 months to expire on the following March 31 so that the term of office of all successors to the terms so extended shall begin with the first day of April."

SEC. 403. (1) If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amendment, or repeal this act is hereby expressly reserved.

Mr. POAGE (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with and that it be open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Committee amendments:

Page 10, line 14, after "SEC. 103", insert "(a)."

Page 12, line 9, strike out "effective" and insert "effective."

Page 12, beginning on line 20, strike out "pro rata in accordance with the second sentence of subsection (c) of this section."

Page 13, beginning on line 19, strike out the remainder of page 13, all of page 14, and through line 2 on page 15, and insert:

"(c) Application of Assets on Liquidation or Dissolution: In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I, shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, class A stock and class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are

allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration."

"(b) For purposes of applying the amendment in subsection (a) of this section, that part of the fiscal year 1956 preceding the effective date of title I of this Act and that part of such year following said effective date shall be deemed to be separate fiscal years."

Page 16, line 23, strike out "three" and insert "six."

Page 17, line 19, strike out "three" and insert "six."

Page 23, beginning on line 14, strike out all of section 201, through page 28, line 8, and renumber following sections to conform.

Page 30, beginning on line 20, strike out all of sections 207 and 208, through page 31, line 8.

Page 34, line 10, strike out "therefore" and insert "therefor."

Page 34, line 13, strike out the period at the end of subsection (d) and insert "and substituting 'but loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration'."

Page 35, line 10, strike out "capitol" and insert "capital."

Page 37, line 2, after "SEC. 401." strike out through and including the colon on line 8, and insert:

"(a) Section 5 (b) of the Farm Credit Act of 1937, as amended, is amended by changing the sixth sentence thereof to read as follows:

"After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

"(b) Section 5 (d) of the Farm Credit Act of 1937, as amended, is amended—

"(1) by substituting 'six months' for 'three months' wherever it occurs in paragraph (2) thereof; and

"(2) by adding at the end thereof a new paragraph as follows":

Page 38, line 9, strike out "this sentence" and insert "the Farm Credit Act of 1955."

The committee amendments were agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore, Mr. McCORMACK, having assumed the chair, Mr. PRICE, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes, pursuant to House Resolution 298, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

DISPENSING WITH CALENDAR WEDNESDAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday of this week be dispensed with.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

CITIZENS ADVISORY COMMITTEE ON THE FOOD AND DRUG ADMINISTRATION RECOMMENDS THREE-FOLD TO FOURFOLD EXPANSION OF AGENCY'S WORK

(Mrs. SULLIVAN asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Speaker, for many years—from 1939 to 1953—there was a steady growth in the amount of funds appropriated each year for the Food and Drug Administration, now a part of the Department of Health, Education, and Welfare. Appropriations reached an all-time high of about \$5,600,000 in the last two budgets submitted by President Truman. The new administration, however, apparently was not too sure of the value of the work of this agency, for in the 1954 fiscal year the amount for the Food and Drug Administration was reduced by \$400,000, or nearly 8 percent. The following year, that is for the fiscal year which just ended, the Food and Drug Administration was reduced an additional \$100,000.

Many of us, Mr. Speaker, warned last year and the year before that we were providing insufficient funds for so vital a program of government—and one which affects the health of every man, woman, and child in the United States. The Secretary of Health, Education, and Welfare, however, suggested that instead of appropriating more money for the Food and Drug Administration, we appropriate nearly \$90,000 for studies within the Department, of which nearly \$50,000 would be for a study of the Food and Drug Administration—to assess objectively the various programs and policies of the Food and Drug Administration and to determine whether the agency was properly and fairly regulating business as well as protecting the consumer, or whether it was engaging in unnecessary interference with business.

At the time of action last year on the supplemental appropriation bill which contained these funds for a study of the Food and Drug Administration, I had serious misgivings about the proposal

for this reason: It was perfectly obvious to all of us in the Congress who have taken an interest in the Food and Drug Administration and in its work that this agency was being starved for lack of funds in doing its work to protect the consumers; it was obvious, I thought, that any objective study would merely confirm this view; therefore, if we were going to appropriate additional funds in connection with food and drug activities, it would be much more effective to provide funds which could be used to hire additional inspectors and enforcement personnel rather than to tell us what we already knew.

COMMITTEE REPRESENTATIVE OF ALL GROUPS

I still feel, Mr. Speaker, that we did not need a committee of distinguished Americans to tell us that the Food and Drug Administration has not been getting sufficient funds to do its job properly. But since such a committee was appointed to make a study, I think that not only the Congress but the Department of Health, Education, and Welfare should immediately take steps to carry out the recommendations of the committee.

This committee was headed by Mr. G. Cullen Thomas, vice president of General Mills. Its members included the following:

Mr. Frank W. Abrams, former chairman of the board, Standard Oil Company of New Jersey; Miss Catherine Dennis, president, American Home Economics Association; Dr. Harry Dowling, professor of medicine, University of Illinois; Mr. Charles Wesley Dunn, president, the Food Law Institute, Inc.; Mr. Robert A. Hardt, vice president, Hoffman-La Roche, Inc.; Dr. Leonard A. Maynard, director, School of Nutrition, Cornell University; Mr. Lee W. Minton, president, Glass Bottle Blowers Union, American Federation of Labor; Mrs. Grace D. Nicholas, executive director, General Federation of Womens Clubs; Dr. Charles Franklin Poe, dean, College of Pharmacy, University of Colorado; Mr. Herbert N. Riley, vice president, H. J. Heinz Co.; Mr. Walter F. Silbersack, president, American Home Products Co.; Judge Patrick T. Stone, United States district judge, United States District Court, Wisconsin; and Mr. H. Gregory Thomas, president, Chanel, Inc.:

It will be noted, Mr. Speaker, that a number of the members of this committee are officials of industries regulated by the Food and Drug Administration, and that the committee itself includes representatives of business generally, and labor, and consumer groups, medicine and pharmacy, and the Federal bench.

RESOURCES WOEFULLY INADEQUATE

After working on the assignment given them at their initial meeting February 3 by the Secretary of Health, Education, and Welfare, the Citizens Advisory Committee on the Food and Drug Administration reports that the resources of the Food and Drug Administration "are woefully inadequate to discharge its present responsibilities."

It adds:

The Food and Drug Administration now has insufficient funds, staff, and facilities to meet its essential responsibility of protecting the public health. This serious deficiency

should be corrected by increased appropriations: by the addition of needed personnel, including the employment of key senior members and the upgrading of key staff positions; and by the addition of needed modern equipment and other operating facilities.

The required expansion in personnel and facilities is between a three and fourfold one, within 5 years to 10 years; such expansion should be progressively authorized by increased appropriations, as fast as it can be absorbed from an efficient organizational standpoint. The increased appropriation each year should be based on an evaluation of the record of the FDA in the past year, and its need in the next year; and a small ad hoc citizens advisory committee may well be appointed by the Secretary each year, to aid in this evaluation.

In the first year, a budget increase of from 10 to 20 percent over that for 1956 will be needed to initiate the 5- to 10-year expanded program on a constructive basis.

That, Mr. Speaker, is the essence of a really excellent, thoroughgoing comprehensive 91-page report with many pages of additional information in the appendix which was submitted on June 30 by Chairman Thomas on behalf of the Citizens' Committee to Mrs. Oveta Culp Hobby, Secretary of Health, Education, and Welfare.

FDA REGULATES \$60 BILLION INDUSTRIES

Step by step, the committee went through the various programs of the agency, and in nearly every single instance found the Food and Drug Administration trying to do its best—often under the most frightful conditions of insufficient funds and personnel and facilities—to protect the people of this country from adulterated or misbranded drugs and devices, adulterated and misbranded foods or cosmetics—from dangerous products and also from fraudulent practices. It found that the Food and Drug Administration was doing very little to protect the consumer from being cheated by misbranded cosmetics or short weight or deceptive containers because it just did not have the funds for that kind of work. It found that the Food and Drug Administration cannot begin to cover the 100,000 establishments within its jurisdiction handling food, drugs, and cosmetics and subject to inspection and regulation—a \$60 billion-a-year responsibility.

It found that almost half of the highly potent drugs available today, and whose purity must be protected by the Food and Drug Administration, were unknown 15 years ago; that the output of frozen foods has more than tripled in the last 7 years. It found that Congress over the years has been giving the Food and Drug Administration more responsibilities in more fields, but that we are not providing equivalent funds—in fact, in terms of purchasing power of the dollar, the Food and Drug Administration is little better off this year than it was in 1938 before its funds began to increase. Consequently there has been a 15-percent reduction in personnel in the last few years.

SULLIVAN BILL ADDS \$1,096,800 FOR FDA

Mr. Speaker, to me this means one thing: We must immediately take steps to put this vital agency of Government on an efficient and effective basis of operation. The committee recommends a threefold or fourfold increase in its funds within the next 5 or 10 years—that

would mean a budget of from \$15 to \$20 million a year, rather than a little more than \$5 million. But as all of us familiar with this problem know, there is the problem of absorbing chemists and inspectors and other trained people into such a highly technical type of work; you cannot expand overnight. You have to train people for the work. The committee, therefore, recommends an immediate 10 to 20 percent increase in funds for the first year of such an expanded program.

Mr. Speaker, I have today introduced a bill for an additional appropriation for the current fiscal year for the Food and Drug Administration of \$1,096,800, an amount just 20 percent of the 1956 fiscal year appropriation, so that the Food and Drug Administration can begin immediately to take the necessary steps to expand its work and its personnel along the lines suggested by the Citizens Advisory Committee. Although the Citizens Committee reported to Mrs. Hobby on June 30 recommending a substantial expansion in the funds of the Food and Drug Administration so that it could begin hiring additional personnel, I have not as yet heard that any request has been sent to the Congress by the Department of Health, Education and Welfare for a supplemental appropriation.

The Advisory Committee, Mr. Speaker, made clear all through its report that this expansion in the funds and personnel of the Food and Drug Administration was urgent. It made clear that legitimate, responsible business, including the major food, drug and cosmetics firms in this country, endorsed the work of the Food and Drug Administration and value the protection of this agency both to the consumer and to legitimate business.

Therefore, Mr. Speaker, let us not fool around for another year on this matter, as was done last year. I hope the Secretary of Health, Education and Welfare will agree to act on these recommendations of her Advisory Committee on the Food and Drug Administration, and that she will initiate the steps necessary to have the President send to Congress a formal request for a supplemental appropriation. But whether this is done or not, I think we in the Congress should act promptly. I urge the Appropriations Committee to consider my bill as soon as possible so that, before this session of Congress adjourns, we can put through a supplemental appropriation for the Food and Drug Administration to initiate and that is all we would be doing, to initiate—on an efficient organizational basis as recommended by the Advisory Committee the first steps toward an eventual threefold or fourfold expansion in the work and facilities and personnel of the Food and Drug Administration.

The bill is as follows:

H. R. 7287

A bill making additional appropriations for functions of the Food and Drug Administration for the year ending June 30, 1956, to initiate a program of expansion and improvement of services to help safeguard the health of the American people.

Be it enacted, etc., That in order to make possible on an efficient organizational basis an immediate start on a fourfold expansion of the personnel and facilities of the Food

84TH CONGRESS
1ST SESSION

H. R. 5168

IN THE SENATE OF THE UNITED STATES

JULY 13, 1955

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1955".

5 TITLE I—BANKS FOR COOPERATIVES

6 SEC. 101. Section 42 of the Farm Credit Act of 1933,
7 as amended, is amended to read as follows:

1 “SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP;
2 VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF
3 STOCK.—Except as provided in section 111 of the Farm
4 Credit Act of 1955, each regional bank for cooperatives shall
5 have the following classes of stock, all of which shall have a
6 par value of \$100 per share:

7 “(1) Class A stock shall be issued to and held by the
8 Governor of the Farm Credit Administration on behalf of
9 the United States, and stock of such banks held by the
10 Governor on the effective date of title I of the Farm Credit
11 Act of 1955 shall be exchanged, share for share, for class
12 A stock of the respective banks. Class A stock shall be non-
13 voting and no dividends shall be paid thereon. At the end
14 of each fiscal year, each of such banks, subject to the pro-
15 visions of sections 33 and 40, shall determine the amount
16 of class A stock that shall be retired at par by that bank.
17 The minimum amount of class A stock that shall be retired
18 shall be the equivalent in dollar value of the amount of
19 class C stock issued for that year, except that class C stock
20 issued by a regional bank on account of class C stock issued
21 to it by the central bank, class C stock issued by a regional
22 bank in exchange for class B stock the proceeds of which
23 were used to retire an equivalent amount of class A stock,
24 and class C stock issued by a regional bank in exchange

1 for capital stock of the bank outstanding on the effective
2 date of title I of the Farm Credit Act of 1955, shall not
3 be included in such bank's calculation. Any amount of
4 class A stock retired in excess of such minimum amount in
5 one year may be used to reduce to that extent the amount
6 of such stock required to be retired in any subsequent year.
7 Funds from the retirement of class A stock shall be paid
8 into the revolving fund authorized by the Agricultural Mar-
9 keting Act, as amended, and shall continue to be available
10 for the purchase of class A stock in the banks in accordance
11 with sections 33 and 40.

12 “(2) Class B stock may be issued in series and amounts
13 approved by the Farm Credit Administration, and may be
14 sold or transferred to any person subject to the approval
15 of the issuing bank. Such stock shall be issued only at par
16 and shall be nonvoting. Any bank may pay dividends of
17 not to exceed 4 per centum per annum on class B stock
18 if declared by the board of directors and approved by the
19 Farm Credit Administration and if the surplus account of
20 the bank, after payment of such dividends, will not be less
21 than 25 per centum of the sum of all its outstanding capital
22 stock. Dividends on class B stock shall not be cumulative,
23 but no bank shall distribute in any year any of its net
24 savings as patronage refunds as provided in section 36 (a)

1 unless for that year a dividend of at least 2 per centum
2 is declared and paid upon outstanding class B stock of the
3 bank. Each series of class B stock shall be issued only
4 with the approval of the Farm Credit Administration and
5 shall carry on the face of each certificate a statement of
6 the maximum dividend which may be declared and paid
7 thereon and of the minimum dividend which shall be de-
8 clared and paid thereon before the bank may distribute
9 any of its net savings as patronage refunds: *Provided,*
10 That such maximum and minimum dividends may be the
11 same amount. After all class A stock has been retired,
12 class B stock may be called for retirement at par with the
13 approval of the Farm Credit Administration and shall be
14 called in such manner that the oldest outstanding stock at
15 any given time will be retired first. Any holder of class
16 B stock whose stock has been called for retirement may
17 elect, with the approval of the issuing bank, to leave his
18 stock in the bank subject to its being included in the next
19 call for retirement.

20 “(3) Class C stock, except as approved by the Farm
21 Credit Administration and consented to by the issuing bank,
22 may be issued only to banks for cooperatives and farmers’
23 cooperative associations as defined in section 15 (a) of the
24 Agricultural Marketing Act, as amended. Such stock may

1 be issued in fractional shares, shall be issued at its fair book
2 value not exceeding par, as determined by the bank, and no
3 dividends shall be paid on it. Each holder of one or more
4 shares of class C stock which is eligible to borrow from a
5 bank for cooperatives shall be entitled to one vote only:
6 *Provided*, That any such holder which within the period of
7 two years next preceding a date, fixed by the Farm Credit
8 Administration, prior to commencement of the voting has not
9 been a borrower from a bank of which it holds class C stock
10 shall not be entitled to vote. From time to time each bank
11 for cooperatives shall obtain information concerning its class
12 C stockholders to determine whether they continue to be
13 eligible to borrow from the bank and to vote. Any class C
14 stockholder found by the bank to be ineligible to borrow
15 shall not be entitled to vote until its eligibility is reestab-
16 lished to the satisfaction of the bank. Whenever in section
17 5 of the Farm Credit Act of 1937, as amended, and section 4
18 (a) of the Farm Credit Act of 1953, provision is made for a
19 nomination or election by cooperatives which are stock-
20 holders or subscribers to the guaranty fund of any bank for
21 cooperatives the term 'cooperatives which are stockholders
22 or subscribers to the guaranty fund' or the equivalent of that
23 term, shall mean such cooperatives which are eligible to vote.
24 Each borrower from a bank for cooperatives shall be required

1 to own at the time the loan is made at least one share of
2 class C stock. The purchase price of such stock may be
3 retained out of the loan. In addition, each borrower as
4 defined by the Farm Credit Administration for purposes of
5 this sentence, shall be required to invest quarterly in class
6 C stock an amount equal to not less than 10 nor more than
7 25 per centum, as prescribed by the board of directors of
8 the bank with the approval of the Farm Credit Administra-
9 tion, of the amount of interest payable by it to the bank
10 during the calendar quarter. Payments for such stock shall
11 be made quarterly or when the regular interest payments
12 of the borrower are payable, but the stock shall be issued
13 to the borrower as of the end of each fiscal year in the amount
14 of the payments for stock made by it during the year. Each
15 regional bank shall purchase at least one share of class C
16 stock of the central bank. In addition, the regional bank
17 shall be required to invest quarterly in class C stock of the
18 central bank an amount equal to not less than 10 nor more
19 than 25 per centum, as prescribed by the board of directors
20 of the central bank with the approval of the Farm Credit
21 Administration, of the amount of interest payable by the
22 regional bank to the central bank during the calendar quarter
23 by reason of any interest purchased by the central bank in
24 a loan made by the regional bank. Payments for such stock
25 shall be made to the central bank and the stock shall be

1 issued to the regional bank in the same manner, insofar as
2 practicable, as is provided in this section for payments for
3 and issuance of stock on account of loans by the regional
4 bank in which the central bank does not purchase any
5 interest. Subject to rules prescribed by the board of directors
6 of the lending bank with the approval of the Farm Credit
7 Administration a borrower may convert class B stock into
8 class C stock for the purpose of making the investment in
9 class C stock required by this paragraph. After retirement
10 of all class A stock, class C stock also may be retired at par
11 by calling the oldest outstanding class C stock, but class C
12 stock that was issued for a fiscal year period shall not be
13 called for retirement until all class B stock that was issued
14 during or prior to that fiscal year has been called for
15 retirement.

16 “(b) GUARANTY FUND SUBSCRIPTIONS IN LIEU OF
17 STOCK.—If a cooperative association is not authorized under
18 the laws of the State in which it is organized to take stock
19 in the bank, the bank shall, in lieu thereof, require the asso-
20 ciation to pay into or have on deposit in a guaranty fund of
21 the bank, or the bank may retain out of the amount of the
22 loan and credit to the guaranty fund, a sum equal to the
23 amount of class C stock which the association would other-
24 wise be required by subsection (a) (3) of this section to
25 own at the time the loan is made and to purchase thereafter.

1 Any such association may make additional payments into
2 the guaranty fund from time to time in lieu of the purchase
3 of class B stock, and shall receive credits to such fund in
4 lieu of patronage refunds payable in class C stock. Each
5 reference in this Act to capital stock or class B or class C
6 stock shall include also the guaranty fund equivalents of
7 such stock, and, to the extent permitted under the laws of
8 a State in which a cooperative association is organized, a
9 holder of guaranty fund equivalents of either class B or class
10 C stock shall have the same rights and status as a holder of
11 class B or class C stock, respectively. The rights and obliga-
12 tions of the bank as respects such guaranty fund equivalents
13 shall be identical to its rights and obligations as respects class
14 B or class C stock, respectively.

15 “(c) LIEN ON STOCK.—Except as hereinafter provided
16 in the case of an association which is a direct borrower from
17 the central bank, each bank for cooperatives shall have a first
18 lien on all stock in the bank owned by each cooperative as-
19 sociation as additional collateral for any indebtedness of such
20 association to the bank. In the case of an association which
21 is a direct borrower from the central bank, the central bank
22 shall have a first lien on any amount of class C stock which
23 the borrowing association owns in any regional bank on ac-
24 count of direct loans of such association from the central
25 bank; and the regional bank shall have a lien on such stock

1 junior only to the lien of the central bank. In any case
 2 where the debt of a borrower is in default, the bank may, in
 3 accordance with regulations of the Farm Credit Administra-
 4 tion, retire and cancel all or a part of the stock of the de-
 5 faulting borrower at the fair book value thereof, not exceed-
 6 ing par, in total or partial liquidation of the debt, as the case
 7 may be, and, to the extent required, corresponding shares
 8 held by a regional bank in the central bank shall be retired.

9 “(d) CALCULATION OF PROPORTIONATE INTERESTS IN
 10 BANKS.—For the purpose of determining pursuant to section
 11 5 (d) (2) (C) of the Farm Credit Act of 1937, as
 12 amended, the amount of the capital stock and subscriptions
 13 to the guaranty fund of a regional bank for cooperatives held
 14 by cooperatives the term ‘capital stock and subscriptions to
 15 the guaranty fund held by cooperatives’ or the equivalent of
 16 that term shall also mean all outstanding class B and class C
 17 stock and the guaranty fund equivalents thereof.”

18 SEC. 102. Section 35 of the Farm Credit Act of 1933,
 19 as amended, is amended to read as follows:

20 “SEC. 35. APPLICATION OF REGIONAL BANK STOCK
 21 PROVISIONS TO CENTRAL BANK.—All provisions of law
 22 with respect to class A, class B, and class C stock in the
 23 regional banks for cooperatives shall apply to the Central
 24 Bank for Cooperatives except as they may be inconsistent

1 with the provisions of this section. Each borrower from the
2 central bank shall be required to own at the time the loan is
3 made at least one share of class C stock in such regional
4 bank as the Farm Credit Administration shall designate and
5 shall be required to invest quarterly in class C stock in such
6 regional bank or banks as the Farm Credit Administration
7 shall designate an amount equal to not less than 10 nor more
8 than 25 per centum, as prescribed by the board of directors
9 of the central bank with the approval of the Farm Credit
10 Administration, of the amount of interest payable by such
11 borrower to the central bank during the calendar quarter.
12 Payments for such stock shall be made quarterly or when
13 the regular interest payments of such borrower are payable;
14 but the stock shall be issued to the borrower as of the end
15 of each fiscal year in the amount of the payments for stock
16 made by it during such year. The regional bank whose
17 stock is so issued to such borrower shall purchase a corre-
18 sponding amount of class C stock in the central bank.”

19 SEC. 103. (a) Section 36 of the Farm Credit Act of
20 1933, as amended, is amended to read as follows:

21 “SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank
22 for cooperatives, at the end of each fiscal year, shall deter-
23 mine the amount of its net savings after paying or provid-
24 ing for all operating expenses (including reasonable valua-
25 tion reserves and losses in excess of any such applicable

1 reserves) and shall apply such savings as follows: (1) To
2 the restoration of the amount of the impairment, if any, of
3 capital stock, as determined by its board of directors; (2)
4 25 per centum of any remaining savings shall be used to
5 create and maintain a surplus account; (3) if said bank shall
6 have outstanding capital stock held by the United States
7 during the whole or any part of the fiscal year, it shall next
8 pay to the United States as a franchise tax, a sum equal to
9 25 per centum of its net savings then remaining, not exceed-
10 ing, however, a rate of return on such Government capital
11 calculated at a rate equal to the computed average annual
12 rate of interest on all public issues of public debt obligations
13 of the United States issued during the fiscal year ending
14 next before such tax is due, as certified to the Farm Credit
15 Administration by the Secretary of the Treasury; (4) reason-
16 able contingency reserves may be established; (5) dividends
17 on class B stock may be declared as provided in section 42
18 (a) (2); and (6) any remaining net savings shall be dis-
19 tributed as patronage refunds as provided in subsection (b)
20 of this section: *Provided*, That any patronage refunds re-
21 ceived by a regional bank from the central bank shall be
22 excluded from net savings of the regional bank for the pur-
23 pose of computing such franchise tax. Amounts applied as
24 provided in (2) and (4) above after the effective date of
25 title I of the Farm Credit Act of 1955 shall be allocated on

1 a patronage basis approved by the Farm Credit Adminis-
2 tration. At the end of any fiscal year, any portion of the
3 reserve established under (4) above which is no longer
4 deemed necessary shall be transferred to the surplus account
5 and, if the surplus account of any such bank for cooperatives
6 exceeds 25 per centum of the sum of all its outstanding cap-
7 ital stock, the bank may distribute in the same manner as a
8 patronage refund any part or all of such excess which has
9 been allocated. In making such distributions, the oldest
10 outstanding allocations shall be distributed first. Wherever
11 used in this Act, the words 'surplus account' as applied to
12 any bank for cooperatives shall mean any surpluses and con-
13 tingency reserves shown on the books of the banks as of the
14 effective date of title I of the Farm Credit Act of
15 1955 and any amounts applied as provided in (2) above
16 after the effective date of said title I. Said surplus account
17 shall be divided to show the amounts thereof subject to allo-
18 cation as provided in this section and may be further sub-
19 divided as prescribed by the Farm Credit Administration.
20 In the event of a net loss in any fiscal year after providing for
21 all operating expenses (including reasonable valuation re-
22 serves and losses in excess of any such applicable reserves),
23 such loss shall be absorbed by: first, charges to allocated
24 contingency reserves; second, charges to allocated surplus;
25 third, charges to other contingency reserves and surplus;

1 fourth, the impairment of class C stock; and fifth, the im-
2 pairment of all other stock.

3 “(b) PATRONAGE REFUNDS.—The patronage refunds
4 of each regional bank for cooperatives shall be paid in
5 class C stock to borrowers, as defined by the Farm Credit
6 Administration for the purposes of this subsection, during
7 the fiscal year for which the refunds are declared. Patron-
8 age refunds of the Central Bank for Cooperatives shall be
9 paid in class C stock to the regional banks for cooperatives
10 upon the basis of interests held by the central bank in loans
11 made by the regional banks and upon direct loans made
12 by the central bank to cooperative associations; and any
13 part of such refunds derived from such direct loans of the
14 central bank shall be paid in class C stock issued to the
15 regional bank or banks which issued to the borrower the
16 stock incident to the loans, or to a regional bank or banks
17 designated by the Farm Credit Administration, and such
18 bank or banks shall issue a like amount of class C stock to
19 the borrowers. All patronage refunds shall be paid in the
20 proportion that the amount of interest earned on the loans
21 of each borrower bears to the total interest earned on the
22 loans of all borrowers during the fiscal year.

23 “(c) APPLICATION OF ASSETS ON LIQUIDATION OR
24 DISSOLUTION.—In the case of liquidation or dissolution of
25 any bank for cooperatives, after the payment or retirement,

1 as the case may be, first, of all liabilities; second, of all capital
2 stock issued before the effective date of title I of the Farm
3 Credit Act of 1955 held by cooperative associations at par,
4 all class A stock at par, and all class B stock at par; and
5 third, of all class C stock at par; any surpluses and con-
6 tingency reserves existing on the effective date of said title
7 I shall be paid to the holders of outstanding capital stock
8 issued before the effective date of said title I, class A stock
9 and class C stock pro rata, and any remaining surplus and
10 contingency reserves shall be distributed to those entities to
11 which they are allocated on the books of the bank. If it
12 should become necessary to use any surplus or contingency
13 reserves to pay any liabilities or to retire any capital stock,
14 allocated contingency reserves and surplus shall be exhausted
15 first in accordance with rules prescribed by the Farm Credit
16 Administration.”

17 (b) For purposes of applying the amendment in sub-
18 section (a) of this section, that part of fiscal year 1956
19 preceding the effective date of title I of this Act and that
20 part of such year following said effective date shall be
21 deemed to be separate fiscal years.

22 SEC. 104. Section 31 of the Farm Credit Act of 1933
23 is amended to read as follows:

24 “SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—
25 The Central Bank for Cooperatives shall have seven directors.

1 Of this number four shall be appointed by the Governor of
2 the Farm Credit Administration, by and with the advice and
3 consent of the Federal Farm Credit Board, and three shall
4 be elected by the regional banks for cooperatives and coop-
5 erative associations: *Provided*, That the terms of office of
6 directors established prior to the effective date of title I of
7 the Farm Credit Act of 1955 shall continue through the
8 thirty-first day of December next following the effective date
9 of said title I and shall expire at the end of that day. Three
10 of the directors appointed by the Farm Credit Administration
11 shall be appointed for terms of one year, two years, and three
12 years, respectively, as designated at the time of appointment
13 and the fourth appointed director shall be appointed for a
14 term of three years and thereafter each appointed director
15 shall be appointed for a term of three years. Any appointed
16 director may be removed at pleasure at any time by the Farm
17 Credit Administration. The Farm Credit Administration
18 shall prescribe rules and regulations for the nominations and
19 elections required by this section. Sufficiently in advance of
20 the first day of January next following the effective date of
21 title I of the Farm Credit Act of 1955, and at any time
22 subsequent to the enactment thereof, the Farm Credit Ad-
23 ministration shall take all action necessary in order to permit
24 the elections hereby provided and shall group the several
25 farm credit districts into three areas, each of which shall be

1 comprised of four contiguous farm credit districts, and a
2 director shall be elected from nominees from each of such
3 areas by regional banks for cooperatives of the area and
4 cooperative associations of the area eligible to vote. The
5 three elected directors shall be elected for terms of one year,
6 two years, and three years, respectively, as shall be desig-
7 nated by the Farm Credit Administration and thereafter
8 elected directors shall be elected for terms of three years:
9 *Provided*, That whenever, as determined by the Farm Credit
10 Administration, the sum of the capital stock and subscriptions
11 to the guaranty fund of the central bank held by persons
12 other than the Governor of the Farm Credit Administration
13 on behalf of the United States and surplus and reserve
14 accounts of said bank shall equal or exceed $66\frac{2}{3}$ per centum
15 of the total capital stock, subscriptions to the guaranty fund
16 and surplus and reserve accounts of said bank as of the date
17 six months before the expiration of the term of office of
18 any appointed director, except the fourth appointed director,
19 whose term next expires, the successor to such director shall
20 be elected from nominees for a term of three years by re-
21 gional banks for cooperatives of the area and cooperative as-
22 sociations of the area eligible to vote on a basis of areas com-
23 prised of two contiguous farm credit districts as designated by
24 the Farm Credit Administration. Appointed directors except
25 the fourth appointed director shall continue to be replaced

1 by elected directors in accordance with the foregoing provi-
2 sions until the total number of elected directors shall be
3 six, elected one from each of six such areas comprised of
4 two contiguous farm credit districts. Whenever, as deter-
5 mined by the Farm Credit Administration, the sum
6 of the capital stock and subscriptions to the guaranty
7 fund of the central bank held by persons other than
8 the Governor of the Farm Credit Administration on be-
9 half of the United States and surplus and reserve
10 accounts of said bank shall not equal or exceed $66\frac{2}{3}$
11 per centum of the total capital stock, subscriptions to the
12 guaranty fund and surplus and reserve accounts of the
13 banks as of the date six months before the expiration
14 of the term of office of any elected director whose term next
15 expires, the successor to such elected director shall, if the
16 number of elected directors then exceeds three, be appointed
17 by the Governor of the Farm Credit Administration by and
18 with the advice and consent of the Federal Farm Credit
19 Board for a term of three years. In any such case where
20 only one additional appointed director is needed in order to
21 increase the total number of appointed directors to four,
22 and the terms of office of more than one elected director
23 next expire, the Farm Credit Administration shall designate
24 the one of such next expiring terms of office which shall

1 be replaced by the additional appointed director. Any
2 vacancy in the Board whether filled by appointment or by
3 election shall be filled for the unexpired term in the same
4 manner in which the vacant office was filled. Each regional
5 bank for cooperatives, each cooperative association which is
6 a direct borrower from the central bank, each holder of one
7 or more shares of class C stock in a regional bank for
8 cooperatives which is eligible to vote under section 42 (a)
9 (3), and each holder of one or more shares of stock in the
10 central bank or any regional bank for cooperatives issued
11 before the effective date of title I of the Farm Credit Act
12 of 1955 which is eligible to vote shall be eligible to vote
13 for directors of the central bank and each such holder shall
14 be entitled to one vote only without regard to the number
15 of shares held in any one or more of said banks, and the
16 vote of any such holder of stock in more than one bank
17 shall be cast only with respect to elections in the area in
18 which is located the main office of such holder. Elected
19 directors shall have been, for at least two years, residents
20 of the area for which they are elected. No person shall be
21 eligible for nomination, election, or appointment as a director
22 if such person has within one year next preceding the com-
23 mencement of the term been a salaried officer or employee
24 of the Farm Credit Administration or of any corporation
25 operating under its supervision. Any person who is a mem-

1 ber of the Federal Farm Credit Board or a district farm
2 credit board when appointed or elected as director shall
3 resign as a member of the Federal Farm Credit Board or the
4 district board before assuming his duties as director of the
5 central bank. No person who becomes such director shall
6 be eligible to continue to serve if he becomes a member
7 of the Federal Farm Credit Board or any district farm credit
8 board or an officer or employee of the Farm Credit Admin-
9 istration or an officer or employee of any corporation
10 operating under the supervision of the Farm Credit
11 Administration.”

12 SEC. 105. Section 32 of the Farm Credit Act of 1933
13 is amended to read as follows:

14 “SEC. 32. POWERS OF BOARD OF DIRECTORS OF CEN-
15 TRAL BANK.—The Board of Directors of the Central Bank
16 for Cooperatives shall elect a Chairman and Vice Chairman
17 from among its members. The powers of the Board of
18 Directors shall be such powers as may be prescribed in the
19 charter and bylaws with the approval of the Farm Credit
20 Administration: *Provided*, That said Board without limita-
21 tion of powers conferred by section 60 shall have power,
22 subject to approval of the Farm Credit Administration, to
23 appoint and fix the compensation of the chief executive offi-
24 cer and such other officers and employees, experts, and con-
25 sultants as may be necessary for the efficient conduct of the

1 bank's business: *Provided further*, That the chief executive
2 officer of the bank shall not be an officer or employee of
3 the Farm Credit Administration."

4 SEC. 106. Section 38 of the Farm Credit Act of 1933
5 is amended by adding at the end of said section the following
6 new sentence: "After the effective date of title I of the
7 Farm Credit Act of 1955 any amendment in the terms of the
8 charter issued to any bank for cooperatives and any regu-
9 lation issued under authority of this section or otherwise
10 affecting lending operations of any such bank shall be con-
11 sistent with the principle that the central bank shall make
12 loans only in cases where it is not practicable for the loan
13 to be made by a regional bank."

14 SEC. 107. Section 41 of the Farm Credit Act of 1933,
15 as amended, is amended by adding a new paragraph as
16 follows:

17 "Notwithstanding any other provision of law, any
18 officer or employee of the Farm Credit Administration or of
19 any bank for cooperatives designated to act as custodian
20 of collateral securing loans made by any such bank to any
21 cooperative association eligible to borrow therefrom may, in
22 accordance with regulations of the Farm Credit Administra-
23 tion, act at the same time as custodian of collateral securing
24 loans made by any other lenders to any cooperative associa-
25 tion eligible to borrow from any such bank."

1 SEC. 108. (a) Section 33 of the Farm Credit Act of
2 1933 is amended by striking the words "Chairman of the
3 Board" in the last sentence of said section and substituting
4 in lieu thereof the words "Board of Directors".

5 (b) Section 34 of the Farm Credit Act of 1933, as
6 amended, is amended by striking the words "Chairman of its
7 Board of Directors" in the first paragraph of said section and
8 substituting in lieu thereof the words "Farm Credit
9 Administration".

10 SEC. 109. Subsection (a) of section 8 of the Agricul-
11 tural Marketing Act, as amended, is amended to read as
12 follows:

13 "(a) Loans to cooperative associations made by any
14 bank for cooperatives shall bear such rates of interest as
15 the board of directors of the bank shall from time to time de-
16 termine with the approval of the Farm Credit Administra-
17 tion, but in no case shall the rate of interest exceed 6 per
18 centum per annum on the unpaid principal of a loan."

19 SEC. 110. (a) Section 65 of the Farm Credit Act of
20 1933 is amended by striking the word "regional" in the first
21 sentence of said section.

22 (b) Section 66 of the Farm Credit Act of 1933, as
23 amended, is hereby repealed.

1 (c) The second sentence of section 7 (a) of the Farm
2 Credit Act of 1953 is hereby repealed.

3 (d) Section 6 of the Act approved January 23, 1932
4 (47 Stat. 14) , is amended by adding immediately following
5 the comma after the word "Act" where it first appears the
6 following: "the Farm Credit Act of 1933".

7 SEC. 111. This title shall be applicable to loans made
8 before its effective date from the date on which they may
9 be changed by agreement to conform hereto, otherwise, ex-
10 cept as provided in this title, such loans shall be treated as
11 though this title had not been enacted. Any cooperative
12 association owning capital stock or guaranty fund credits
13 in any bank for cooperatives issued before the effective date
14 of this title which is eligible to vote shall, as long as such
15 eligibility continues, be entitled to vote to the same extent
16 as a holder of class C stock which is eligible to vote; any
17 cooperative association owning such stock or guaranty fund
18 credits shall be entitled to have such stock or credits retired
19 as though this title had not been enacted; and any such
20 association may with the consent of the bank have such stock
21 or credits, if it is found eligible to own class B or class C
22 stock, converted in whole or in part into class B or class C
23 stock or equivalent guaranty fund credits: *Provided*, That
24 any bank for cooperatives with the approval of the Farm
25 Credit Administration may retire at any time capital stock

1 or guaranty fund credits issued before the effective date of
2 this title held by any cooperative association and may hold
3 the proceeds of such retired stock or guaranty fund credits as
4 security for any indebtedness of the association to the bank.

5 SEC. 112. This title shall take effect on the first day of
6 the month next following one hundred and twenty days after
7 its enactment.

8 TITLE II—PRODUCTION CREDIT SYSTEM

9 SEC. 201. Section 21 of the Farm Credit Act of
10 1933 is amended by striking out of the fifth sentence the
11 words “all stock shall share in dividend distributions without
12 preference” and substituting therefor the words “Dividends
13 may be paid on class A and class B stock without preference
14 or on class A stock alone, as the board of directors of the
15 association may determine”.

16 SEC. 202. Section 22 of the Farm Credit Act of 1933
17 is amended to read as follows:

18 “SEC. 22. (a) Each production credit association shall,
19 at the end of each fiscal year, apply the amount of its earn-
20 ings in excess of operating expenses (including provision for
21 reasonable valuation reserves) during such fiscal year, first,
22 to the restoration of the impairment, if any, of capital; and,
23 second, to the establishment and maintenance of a surplus
24 account, the minimum amount of which shall be prescribed
25 by the production credit corporation.

1 “(b) A production credit association may pay dividends
2 of not to exceed 7 per centum per annum when such pay-
3 ments are approved by the production credit corporation of
4 the district and are consistent with policies established under
5 regulations issued by the Farm Credit Administration.”

6 SEC. 203. The amounts in the guaranty fund reserve
7 and the reserve account for bad and doubtful debts of each
8 production credit association shall, as of the effective date of
9 this title, be transferred to the surplus account of such asso-
10 ciation established pursuant to the provisions of section 22
11 of the Farm Credit Act of 1933 as amended by section 202
12 of this title.

13 SEC. 204. Section 23 of the Farm Credit Act of 1933
14 is amended to read as follows:

15 “SEC. 23. Each production credit association shall, under
16 such rules and regulations as may be prescribed by the pro-
17 duction credit corporation of the district with the approval
18 of the Farm Credit Administration, invest its funds and make
19 loans to farmers for general agricultural purposes. Such
20 loans shall be made on such terms and conditions, at such
21 rates of interest, and with such security as may be prescribed
22 by the corporation. No borrower shall be indebted to the
23 association at any one time in an amount in excess of 15
24 per centum of the capital and surplus of the association un-
25 less the loan has the prior approval of the corporation, or in

1 excess of 35 per centum of the capital and surplus of the as-
2 sociation unless the loan also has the prior approval of the
3 Farm Credit Administration. Borrowers shall be required
4 to own, at the time the loan is made, class B stock of the
5 association in an amount equal in fair book value (not to
6 exceed par), as determined by the association, to \$5 per
7 \$100 or fraction thereof of the amount of the loan. Such
8 stock shall not be canceled or retired upon payment of the
9 loan but may be transferred or exchanged as provided in
10 section 21 of this Act.”

11 SEC. 205. The last sentence of section 63 of the
12 Farm Credit Act of 1933 is hereby amended to read as
13 follows: “The exemption provided herein shall not apply with
14 respect to any production credit association or its property or
15 income after the class A stock held in it by the production
16 credit corporation has been retired, or with respect to the
17 Central Bank for Cooperatives, or any production credit
18 corporation or bank for cooperatives, or its property or in-
19 come after the stock held in it by the United States has been
20 retired.”

21 TITLE III—FEDERAL LAND BANK SYSTEM

22 SEC. 301. Sections 3, 7, and 8 of the Federal Farm
23 Loan Act, as amended, are amended—

24 (a) by changing next to the last paragraph of
25 section 3 to read as follows: “The Farm Credit Admin-

1 istration shall prescribe a form for the statement of con-
2 dition of national farm loan associations and land banks
3 under its supervision, which shall be filled out by each
4 such association or bank and transmitted to said admin-
5 istration as required by it.”;

6 (b) by changing the fifth sentence of the fourth
7 paragraph of section 7 to read as follows: “He shall
8 make a report to the Farm Credit Administration as
9 required by it upon forms to be provided for that
10 purpose.”; and

11 (c) by deleting the last sentence of section 8.

12 SEC. 302. The last paragraph of section 5 of the Federal
13 Farm Loan Act, as amended, is repealed.

14 SEC. 303. Section 10 of the Federal Farm Loan Act,
15 as amended, is amended by adding at the end thereof a
16 new paragraph as follows:

17 “Notwithstanding any other provision of this Act to the
18 contrary, subject to the approval of the Farm Credit Admin-
19 istration, the investigation and the written report or reports
20 on the value of the security offered for a Federal land bank
21 loan, which otherwise are required by this section to be made
22 by land bank appraisers appointed under the authority of
23 section 3 of this Act, may be made, in accordance with
24 appraisal standards prescribed by the Farm Credit Adminis-
25 tration, by any person (including a person who is secretary-

1 treasurer of a national farm loan association) designated so
2 to do by the Federal land bank of the district; a Federal
3 land bank is authorized to make a loan, if otherwise author-
4 ized, on the basis of such an investigation and report by a
5 person so designated; and a loan so made shall be eligible
6 as collateral for farm loan bonds under section 19 of this
7 Act, if otherwise qualified thereunder: *Provided, That,*
8 within one year, the land bank shall obtain a written report
9 on the security for the loan by a land bank appraiser
10 appointed under section 3 of this Act, in terms and form
11 prescribed by the Farm Credit Administration, and such a
12 loan shall be eligible as collateral for farm loan bonds there-
13 after only if such report by a land bank appraiser establishes
14 that the security meets the standards prescribed by the Farm
15 Credit Administration for a land bank loan, and in no event
16 shall any such loan thereafter be carried as such collateral
17 for bonds at more than 65 per centum of the normal value
18 of the security as determined by such land bank appraiser.
19 Except as otherwise specifically provided in this paragraph,
20 all provisions of this Act relating to loans made through
21 national farm loan associations shall, insofar as applicable,
22 apply with respect to loans made on such investigations and
23 written reports by such designated persons.”

24 SEC. 304. Section 12 of the Federal Farm Loan Act,
25 as amended, is amended—

1 (a) by changing paragraph "Fourth" to read as
2 follows: "Such loans may be made for general agricul-
3 tural purposes and other requirements of the owner of
4 the land mortgaged, under rules and regulations of the
5 Farm Credit Administration.";

6 (b) by striking out the period at the end of the
7 second sentence of paragraph "Fifth" and adding the
8 following: "; and, consistent with community standards,
9 the appraisal may also reflect home advantages, and the
10 availability to a typical operator of the property of
11 earnings from other dependable sources to supplement
12 the normal earning power of the farm.";

13 (c) by striking out "the raising of livestock"
14 wherever it appears in next to the last sentence of para-
15 graph "Sixth" and substituting therefor "farming opera-
16 tions" and by striking out of such sentence "Land Bank
17 Commissioner" and substituting therefor "Farm Credit
18 Administration"; and

19 (d) by striking out "\$100,000" from paragraph
20 "Seventh" and substituting therefor "\$200,000" and
21 by striking out of such sentence "but loans to any one
22 borrower shall not exceed \$25,000 unless approved by
23 the Land Bank Commissioner," and substituting "but
24 loans to any one borrower shall not exceed \$100,000
25 unless approved by the Farm Credit Administration,".

1 SEC. 305. Paragraph "Nineteenth" of section 13 of the
2 Federal Farm Loan Act, as amended, is amended by adding
3 at the end thereof a new sentence as follows: "Such a
4 deferment may be permitted for other purposes for a period
5 not exceeding five years under regulations prescribed by the
6 Farm Credit Administration."

7 SEC. 306. (a) That part of section 23 of the Federal
8 Farm Loan Act, as amended, which precedes the last
9 paragraph, is amended to read as follows: "Every Federal
10 land bank shall semiannually carry to reserve account a
11 sum not less than 50 per centum of its net earnings until
12 said reserve account shall show a credit balance equal to
13 the outstanding capital stock of said land bank. After said
14 reserve is equal to the outstanding capital stock 10 per
15 centum of the net earnings shall be added thereto semi-
16 annually until said reserve account shall show a credit bal-
17 ance equal to 150 per centum of the outstanding capital stock
18 of said land bank, and any land bank having a credit balance
19 in said reserve account in excess of 150 per centum of
20 its outstanding capital stock may withdraw such excess
21 from said reserve account with the approval of the Farm
22 Credit Administration. Whenever said reserve shall have
23 been impaired it shall be fully restored before any dividends
24 are paid.

25 "After deducting the 50 per centum or the 10 per

1 centum hereinbefore directed to be deducted for credit to
2 reserve account, any Federal land bank may declare a
3 dividend or dividends to shareholders of the whole or any
4 part of the balance of its net earnings, but only with the
5 approval of the Farm Credit Administration.

6 "The reserves of land banks shall be invested in accord-
7 ance with rules and regulations prescribed by the Farm
8 Credit Administration."

9 (b) The second sentence of section 24 of the Federal
10 Farm Loan Act, as amended, is amended by striking out the
11 period at the end thereof and adding the following: "until
12 said reserve account shall show a credit balance equal to 50
13 per centum of the outstanding capital stock of said associa-
14 tion, and any association having a credit balance in said re-
15 serve account in excess of 50 per centum of its outstanding
16 capital stock may withdraw such excess from said reserve
17 account with the approval of the Farm Credit Administra-
18 tion."

19 (c) The amendments made by (a) and (b) of this sec-
20 tion shall become effective on the next January 1, or July 1
21 whichever first succeeds enactment hereof.

22 SEC. 307. Section 601 (a) of the Department of Agri-
23 culture Organic Act of 1944 is amended by inserting after
24 "Federal land banks," the second time it appears therein,
25 "national farm loan associations,"; by striking out "joint-

1 stock land banks," wherever it appears therein; and by
2 striking out the period at the end thereof and inserting
3 " , except that the amounts apportioned to national farm
4 loan associations shall be assessed against and collected from
5 the Federal land bank of the district which may in turn col-
6 lect such amounts from the associations in a manner approved
7 by the Farm Credit Administration."

8 TITLE IV—MISCELLANEOUS PROVISIONS

9 SEC. 401. (a) Section 5 (b) of the Farm Credit Act of
10 1937, as amended, is amended by changing the sixth sentence
11 thereof to read as follows: "After the date of enactment of
12 the Farm Credit Act of 1955, no person shall be eligible for
13 election or appointment to membership on said Board if such
14 person has within one year next preceding the commence-
15 ment of the term been a salaried officer or employee of the
16 Farm Credit Administration, or a salaried officer or employee
17 of any corporation operating under the supervision of the
18 Farm Credit Administration."

19 (b) Section 5 (d) of the Farm Credit Act of 1937, as
20 amended, is amended—

21 (1) by substituting "six months" for "three months"
22 wherever it occurs in paragraph (2) thereof; and

23 (2) by adding at the end thereof a new paragraph
24 as follows:

25 "(4) As directed by the Farm Credit Administration,

1 the election of a director under section 5 (d) (2) by any
2 group may be begun any time within six months before
3 the expiration of the term of office to which the director
4 is to succeed, subject to the required determination being
5 made as of the date six months before the expiration of
6 such term of office that a director so elected by such group
7 is to serve in lieu of a district director (or third district
8 director).”

9 SEC. 402. Section 4 of the Farm Credit Act of 1953
10 is amended—

11 (a) by inserting in the first proviso in subsection
12 (a) “all persons so tied shall be considered designated
13 as nominees” in lieu of “the procedure prescribed therein
14 shall be followed again until the tie is broken”;

15 (b) by inserting before the period at the end of the
16 second sentence of subsection (b) “, except that one full
17 term of six years shall be considered to include an addi-
18 tional four months if the particular term is one which
19 was legally extended for an additional four months”;
20 and

21 (c) by adding the following additional sentence at
22 the end of subsection (c): “All terms of office which
23 otherwise would expire on November 30 of any year
24 following enactment of the Farm Credit Act of 1955 are
25 extended four months to expire on the following March

1 31 so that the term of office of all successors to the
2 terms so extended shall begin with the first day of
3 April.”.

4 SEC. 403. (1) If any provision of this Act, or the appli-
5 cation thereof to any person or circumstance, is held invalid,
6 the remainder of the Act, and the application of such pro-
7 visions to other persons or circumstances, shall not be affected
8 thereby.

9 (b) The right to alter, amend, or repeal this Act is
10 hereby expressly reserved.

Passed the House of Representatives July 12, 1955.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

JULY 13, 1955

Read twice and referred to the Committee on
Agriculture and Forestry

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 28, 1955
For actions of July 27, 1955
84th-1st, No. 127

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HIGHLIGHTS: House received and Senate agreed to conference reports on: Mexican farm-labor bill, and donation of CCC stocks to distressed areas. House received conference report on mutual security appropriation bill, rejected road bill. House committee reported bills to: provide penalties for false grade-marking, amend rice quota law, and authorize additional extension work for low-income farmers. House subcommittee ordered reported Farm-City Week measure. Senate committee reported measure to amend law re participation in FAO. Senate subcommittee ordered reported farm credit bill. Sen. Sparkman inserted comparative study of low-income farm families. Both Houses agreed to conference report on Government Security Commission measure. House committee reported executive pay bill. Sen. Hill commended USDA disposal of surplus foods and inserted press release.

SENATE

1. FAO. The Foreign Relations Committee reported without amendment S. J. Res. 97, to increase from \$2,000,000 to \$3,000,000 the limitation on the annual U. S. contribution to the Food and Agriculture Organization (S. Rept. 1172) (p. 10021).
2. RECLAMATION. The Interior and Insular Affairs Committee reported without amendment H. R. 4663, authorizing the Trinity River division, Central Valley project, Calif. (S. Rept. 1154); and H. R. 3587, to authorize a water compact between Oreg. and Calif. for the waters of the Klamath River (S. Rept. 1166) (p. 10020).
The Committee reported with amendments S. 1818, to limit the amount of land on Federal irrigation projects which may be exchanged by veteran settlers on other irrigation projects (S. Rept. 1155).(p. 10020).

3. RENTALS. Received a supplemental report from the Budget Bureau on activities under Budget Bureau Circular A-45, regulating rental rates for Federal employee quarters, for the year prior to Nov. 1, 1954; to Appropriations Committee (p. 10020).
4. AUDITING; ELECTRIFICATION. Received from the Comptroller General an audit report on REA for the fiscal years 1953 and 1954; to Government Operations Committee (p. 10020).
5. LOW-INCOME FARMERS. Sen. Sparkman inserted a comparison study, prepared by the Legislative Reference Service of the Library of Congress, of proposals with respect to increasing the productivity and earnings of low-income farm families (pp. 10034-6).
6. ELECTRIFICATION. Sen. Neuberger inserted a Sunday Oregonian article describing differences of opinion between himself and Secretary McKay over how the power resources of the Pacific Northwest should be developed (pp. 10030-3).
7. CONTRACTS; BUILDINGS. Passed with amendment S. 1644, to prescribe policy and procedure in connection with construction contracts made by executive agencies (pp. 10049-52, 10054-71). Sen. Kilgore stated that the bill would prescribe policy, improve existing procedure and practices in connection with the letting of lump-sum, Federal construction contracts, and place the awarding of such contracts on a more efficient basis (p. 10049).
8. FLAMMABLE FABRICS. The Interstate and Foreign Commerce Committee ordered reported without amendment S. 1455, to amend the Flammable Fabrics Act to exempt from its application scarves which do not present an unusual hazard (p. D791).
9. FARM CREDIT. The Agriculture and Forestry subcommittee ordered reported with an amendment H. R. 5168, to provide for retirement of Government capital in certain institutions operating under FCA supervision (p. D790).
10. NOMINATION. Received nomination of Francis O. Wilcox to be an Assistant Secretary of State (p. 10081).
11. LEGISLATIVE PROGRAM. Sen. Clements announced that it is proposed to have the Senate consider today the bill to authorize loans to small reclamation projects and to have a call of the calendar (p. 10081).

HOUSE

12. APPROPRIATIONS. Conferees were appointed on H. R. 7278, the supplemental appropriation bill (p. 10089). Senate conferees were appointed on July 26.
13. GOVERNMENT SECURITY. Both Houses agreed to the conference report on H. J. Res. 157, to establish a Government Security Commission (pp. 10061, 10090). This measure is now ready for the President.
14. PAY. The Post Office and Civil Service Committee reported without amendment H. R. 7619, to adjust the rates of compensation of the heads of the executive departments and of certain other officials of the Federal Government (H. Rept. 1474) (p. 10133).

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 29, 1955
For actions of July 28, 1955
84th-1st, No. 128

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HIGHLIGHTS: Senate passed bill for loans to small reclamation projects. House and Senate committees reported bills to increase CCC borrowing authority by \$2 billion. Senate committee voted to report executive pay bill. Senate committee reported bill to permit sale of CCC cotton at market prices and farm credit bill. Both Houses agreed to conference report on mutual security appropriation bill. House Rules Committee cleared sugar and housing bills. House committee reported National Farm-City Week measure. Sen. Flanders recommended donation of wheat to China. Sen. Anderson inserted Asst. Secretary Butz' recent Miss. speech.

SENATE

1. CCC BORROWING POWER. The Agriculture and Forestry Committee reported without amendment S. 2604, to increase the CCC borrowing power from \$10 billion to \$12 billion (S. Rept. 1200)(p. 10138).
2. CCC COTTON. The Agriculture and Forestry Committee reported with amendment S. 2446, to permit sale of CCC stocks of cotton that are in excess supply for unrestricted use at current market prices (S. Rept. 1199)(p. 10138).
3. FARM CREDIT. The Agriculture and Forestry Committee reported with amendment H. R. 5168, to provide for retirement of the Government capital in certain institutions operating under supervision of FCA, and to increase borrower participation in the management and control of the Federal Farm Credit System (S. Rept. 1201)(p. 10138).

4. PERSONNEL. The Post Office and Civil Service Committee reported with amendment S. 2402, to increase annuities for retired employees (S. Rept. 1176)(p. 10137). During calendar call, the bill was passed over at the request of several Senators (p. 10198).
The Post Office and Civil Service Committee ordered reported (amended) S. 2628, to increase the pay of department heads and other major Federal officials (p. D804).
5. LEGISLATIVE APPROPRIATION BILL, 1956. The Appropriations Committee reported with amendments this bill, H. R. 7117, which includes items for GPO and the Library of Congress (S. Rept. 1181)(p. 10158).
6. ACCOUNTING. The Government Operations Committee reported without amendment H. R. 7034, which authorizes the Comptroller General to relieve a disbursing officer of accountability under certain circumstances (S. Rept. 1185), and H. R. 7035, to authorize the Comptroller General to reimburse funds to disbursing officers under certain conditions (S. Rept. 1186)(p. 10138). See Digest 115 for provisions of these bills.
7. EXTENSION WORK. The Government Operations Committee reported without amendment H. J. Res. 276, to authorize the Texas Hill Country Development Foundation to convey certain land to Kerr County, Tex. (S. Rept. 1187)(p. 10138).
8. FEES AND CHARGES. The Government Operations Committee reported with amendment S. Res. 140, relative to the establishment of uniform fees and charges by Government agencies for work or other things of value performed by them (S. Rept. 1184)(p. 10138).
9. TEXTILES. The Interstate and Foreign Commerce Committee reported without amendment S. 1455, to amend the Flammable Fabrics Act to exempt scarves which do not represent an unusual hazard (S. Rept. 1204)(p. 10138).
10. RICE ALLOTMENTS. The Agriculture and Forestry Committee reported with amendment S. 2511, to provide that no rice national acreage allotment shall be established which is less than 75% of the final allotment established for the immediately preceding year (S. Rept. 1218)(p. 10138).
11. PROPERTY. The Government Operations Committee reported with amendments S. 2591, to amend Sec. 602 of the Federal Property and Administrative Services Act with respect to utilization and disposal of excess and surplus property under the control of the executive agencies (S. Rept. 1183)(p. 10138).
12. RECORDS MANAGEMENT. The Government Operations Committee reported without amendment S. 2364, to amend the Federal Property and Administrative Services Act so as to give GSA additional control over records-management work of the executive departments and agencies (S. Rept. 1182)(p. 10138).
13. MINIMUM WAGE. Sen. Goldwater suggested that State enactment of minimum wage regulations would avoid the imposition of Federal control in this matter (pp. 10205-6).

FARM CREDIT ACT OF 1955

JULY 28, 1955.—Ordered to be printed

Mr. HOLLAND, from the Committee on Agriculture and Forestry,
submitted the following

R E P O R T

[To accompany H. R. 5168]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes, having considered the same, report thereon with a recommendation that it do pass with an amendment.

The Farm Credit Act of 1953 required the Federal Farm Credit Board, established by that act, to study and make recommendations to Congress as to methods whereby increased borrower participation could be effected in the management, control, and ultimate ownership of institutions operating under the supervision of the Farm Credit Administration. H. R. 5168 is the result of such study and report and your committee believes it would be a forward step in the goal of having private borrowers owning and managing these credit agencies.

The Senate companion bill, S. 1286, was referred to a subcommittee which held extensive hearings and favorably reported the legislation in the form in which H. R. 5168 passed the House with the exception of one amendment. The amendment recommended by the subcommittee and approved by the full committee would specifically prohibit the present surplus and contingency reserves of the banks for cooperatives from being distributed as patronage refunds.

Attached herewith are the subcommittee report and the report of the House Committee on Agriculture which fully explain this legislation. The bill was passed by the House as reported by the Agriculture Committee.

REPORT OF THE SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND
FORESTRY ON H. R. 5168

Your subcommittee to whom was referred the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes, having considered the same report thereon with the recommendation that it pass with an amendment.

The subcommittee amendment would insert on page 12, line 9, before the period, a colon and the following: "*Provided*, That any surplus and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds".

This amendment would make it absolutely clear that no part of the surplus and contingency reserves shown on the books of the banks for cooperatives as of the date of enactment of the bill could be distributed as patronage refunds. This sum, which amounted to \$81,720,003 as of December 31, 1954, was accumulated in large part through the use of interest-free money and should be maintained in the system to assure its continued stability and cushion it against the effect of such bona fide losses as might be sustained at some future time. The existence of this surplus and reserve should not be used to justify the establishment of interest rates below those otherwise required, but interest rates should be maintained at levels sufficient to assure the continued existence of this reserve fund.

The principal purpose of the bill is to provide for increased borrower participation in the Federal Farm Credit System. It would carry out the recommendations submitted to Congress by the Federal Farm Credit Board on December 8, 1954 (S. Doc. 7, 84th Cong.), pursuant to section 2 of the Farm Credit Act of 1953, except those relating to the production credit institutions which were covered by section 201 of the bill as introduced, which section was eliminated by action of the House of Representatives. The provisions eliminated were opposed by many of the witnesses who appeared before the subcommittee. The bill is fully explained in the report of the House Committee on Agriculture attached hereto.

SPESSARD L. HOLLAND,
Chairman.

CLINTON P. ANDERSON,
EARLE C. CLEMENTS,
GEORGE D. AIKEN.

[H. Rept. No. 863, 84th Cong., 1st sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration, to increase borrower participation in the management and control of the Federal farm credit system, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Page 10, line 14, after "SEC. 103." insert "(a)".

Page 12, line 9, strike out "offective" and insert "effective".

Page 12, beginning on line 20, strike out "pro rata in accordance with the second sentence of subsection (c) of this section".

Page 13, beginning on line 19, strike out the remainder of page 13, all of page 14, and through line 2 on page 15, and insert:

(c) APPLICATION OF ASSETS ON LIQUIDATION OR DISSOLUTION.—In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, class A stock and class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration.

(b) For purposes of applying the amendment in subsection (a) of this section, that part of the fiscal year 1956 preceding the effective date of title I of this Act and that part of such year following said effective date shall be deemed to be separate fiscal years.

Page 16, line 23, strike out "three" and insert "six".

Page 17, line 19, strike out "three" and insert "six".

Page 23, beginning on line 14, strike out all of section 201, through page 28, line 8, and renumber following sections to conform.

Page 30, beginning on line 20, strike out all of sections 207 and 208, through page 31, line 8.

Page 34, line 10, strike out "therefore" and insert "therefor".

Page 34, line 13, strike out the period at the end of subsection (d) and insert "and substituting 'but loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration',".

Page 35, line 10, strike out "capitol" and insert "capital".

Page 37, line 2, after "SEC. 401." strike out through and including the colon on line 8, and insert:

(a) Section 5 (b) of the Farm Credit Act of 1937, as amended, is amended by changing the sixth sentence thereof to read as follows:

"After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

(b) Section 5 (d) of the Farm Credit Act of 1937, as amended, is amended—

(1) by substituting "six months" for "three months" wherever it occurs in paragraph (2) thereof; and

(2) by adding at the end thereof a new paragraph as follows:".

Page 38, line 9, strike out "this sentence" and insert "the Farm Credit Act of 1955".

STATEMENT

Section 2 of the Farm Credit Act of 1953 (act of August 6, 1953) states that it is the policy of Congress "to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership under the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration." The same section requires the Federal Farm Credit Board, established by the 1953 act, to study the further steps needed to carry this policy into effect and to recommend to Congress such additional and supplemental legislation as might be required.

The Board's report, including a draft of its recommendations in legislative form, was submitted to Congress on December 8, 1954, and printed as Senate Document 7, 84th Congress. H. R. 5168, reported herewith, embodies most of the recommendations contained in that report.

At the hearings on the bill, which continued for several days, numerous witnesses, including representatives of the major farm organizations, appeared in support of the measure. No witnesses appeared in opposition to the bill as a whole but there was a substantial difference of opinion as to the merits of certain portions of the bill. In general, the committee amendments have changed or removed from the bill those portions to which there was substantial opposition. These will be discussed in more detail later in the report.

FARM CREDIT SYSTEM

Following is a brief outline of the Federal farm credit system. It consists of the following:

1. The Farm Credit Administration which supervises, examines, and coordinates the activities of the credit agencies in the Federal farm credit system. The Farm Credit Administration consists of the Federal Farm Credit Board, the Governor, and its other officers and employees.

2. The Federal land-bank system established pursuant to the Federal Farm Loan Act approved July 17, 1916. It consists of 12 Federal land banks which provide farmers and ranchers with long-term credit on farms and ranches through approximately 1,100 national farm loan associations.

3. The Federal intermediate credit bank system established pursuant to the Agricultural Credits Act of 1923. It consists of 12 banks which discount paper for or make loans to production credit associations and also to certain private credit agencies making short-term agricultural loans to farmers and ranchers.

4. The production credit system created by the Farm Credit Act of 1933. It consists of 12 production credit corporations and 498 production credit associations. The production credit corporations supervise the production credit associations, which make short-term agricultural loans to farmers and ranchers.

5. The system of banks for cooperatives also created by the Farm Credit Act of 1933. It includes 12 regional banks for cooperatives and 1 Central Bank for Cooperatives, which extend credit to farmers' marketing, purchasing, and service cooperatives.

6. The Federal Farm Mortgage Corporation organized under the Federal Farm Mortgage Corporation Act of 1934. This is the Corporation which made the Land Bank Commissioner-type loan under the Emergency Farm Mortgage Act of 1933. It is now principally engaged in liquidating the remaining loans so made and the assets which it acquired in connection with such loan program.

The United States is divided into 12 farm credit districts and in each district there is a Federal land bank, a Federal intermediate credit bank, a production credit corporation, and a bank for cooperatives. In order to coordinate the operations of each of these institutions in each district there is a district farm credit board, the members of which are ex officio directors of each of the institutions. However, each of the institutions has its own officers elected by its board of directors. Each district board now consists of 7 members selected as follows: 2 members elected by the district national farm loan associations, 2 members elected by the district production credit associations, 1 member elected by the cooperative associations which hold stock in the regional bank for cooperatives, and 2 members appointed by the Governor of the Farm Credit Administration.

The bill is divided into four titles: Title I relates to banks for cooperatives; title II relates to the production credit system; title III to the Federal land-bank system; and title IV contains miscellaneous provisions relating to the conduct of elections pertaining to membership on district farm credit boards and to nominees for appointment to, and the terms of office of members on, the Federal Farm Credit Board.

TITLE I—BANKS FOR COOPERATIVES

The system of banks for cooperatives consists of 13 banks, 12 regional banks for cooperatives, 1 located in each farm credit district, and the Central Bank for Cooperatives located in Washington, D. C. Upon organization, the banks were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans under the Agricultural Marketing Act of 1929. The original capitalization amounted to \$110 million. As the credit service of these banks to farmers' cooperatives increased, capital subscriptions by the United States increased until they reached \$178.5 million in 1945. Although the banks have continued to increase their credit services to cooperatives, such subscriptions have now been reduced to \$150 million. Farmers' cooperative associations borrowing from the banks are required to purchase capital stock or subscribe to the guaranty fund (both of which are hereafter referred to as capital stock) of the banks in stated amounts related to the size and type of loans. As of December 31, 1954, cooperative associations held capital stock totaling \$19,904,400, and the banks had earned surplus and reserves in the sum of \$81,720,003. A balance of approximately \$35.7 million remains in the revolving fund available for further subscriptions to capital in these banks if the need therefor should arise.

The banks for cooperatives obtain their loan funds, in addition to the capital and surplus, through the sale of debentures to the public and by loans from the Federal intermediate credit banks and commercial banks. Since August 23, 1954, the banks have been authorized to sell consolidated collateral trust debentures which are the joint and several obligations of all of the banks. Prior to that date only the Central Bank had the authority to issue and sell debentures. The first issue of consolidated debentures was dated February 1, 1955, and was issued to refinance an issue of Central Bank debentures. The authority to issue consolidated debentures gave the banks a broader base for borrowings and should assist the banks to rely more heavily upon the use of borrowed funds in their lending operations.

As previously stated, the banks for cooperatives make loans to farmers' marketing, purchasing, and service cooperatives. The loan programs of the 12 regional banks and the Central Bank are coordinated to avoid duplication of operations and lending authority. Lending limits are established by the Farm Credit Administration for the regional banks based on a percentage of their capital, surplus, and reserves depending on the type of loan. These lending limits are sufficient to enable the regional banks to meet the needs of most cooperative associations. When the amount of loans applied for by a single borrowing association would exceed the lending limits of a regional bank, the amount above the lending limit is offered to the Central Bank. Thus a regional bank, with the Central Bank participating in the larger loans, has been able to distribute the risk, and the system has been able to render adequate credit service on a sound basis to both large and small farmers' cooperatives throughout the Nation. The Central Bank makes a few loans direct. Also, it has served as a source of funds for the district banks which has permitted greater use of the resources of the system.

Under present law, the required capital stock purchases by borrowing cooperatives will not furnish sufficient capital funds to permit the

banks to operate on a sound basis and meet the credit needs of farmers' cooperatives. As presently organized, the use of Government capital is essential to continued operation of the system.

The primary purpose of title I of the bill is to provide a plan under which the banks would be organized on a truly cooperative basis. Borrowing cooperatives would continually make capital contributions to the system so long as they used its credit service. Each year final net savings (after taxes, dividends, reserves, and surplus requirements) would be distributed as patronage refunds to borrowing cooperatives in the form of capital stock, all of which capital would remain in the system until all of the capital stock of the United States had been retired. Each year Government capital would be retired in an amount equal to the required stock contributions of and the patronage refunds to the borrowing cooperatives.

TITLE II—PRODUCTION CREDIT SYSTEM

Title II of the bill relates to the production credit system consisting of 12 production credit corporations, which are wholly Government-owned, and 498 production credit associations. Currently, 415 of the production credit associations are wholly member-owned and 83 are jointly owned by their members and the production credit corporations of their respective districts.

When this system was established in 1933 the production credit corporations were created as wholly owned Government corporations to organize, capitalize, and supervise the production credit associations in each district so that short-term agricultural credit would be available to farmers and ranchers throughout the United States on a cooperative basis.

The corporations were capitalized by stock subscriptions made on behalf of the United States out of a revolving fund of \$120 million. As each association was organized the corporation subscribed to the initial capital in order to enable it to commence operations. Approximately \$90 million of the corporation's capital was used to purchase stock in the associations. As the financial position of the associations grew on a sound basis through capital contributions made by their members and through the accumulation of earnings, the capital stock held by the corporations was retired and the proceeds were returned to the corporations. By this process the associations are being converted into member-owned associations, as all but approximately \$3 million of the original approximately \$90 million has been returned.

As of December 31, 1954, member-owned stock in the 498 associations was as follows: Class A stock, \$25,019,916; class B stock, \$69,590,065. No class C stock has been sold.

As of December 31, 1954, the corporations had outstanding stock owned by the United States in the amount of \$31,735,000 and earned surplus and reserves totaling \$14,037,840. There remains in the revolving fund \$58,265,000 available for possible future subscriptions to stock in the corporations, \$30 million having been returned from the original revolving fund to the general fund of the Treasury. All of the operating costs of the corporations are paid out of earnings on their investments or out of their accumulated surplus funds.

TITLE III—FEDERAL LAND BANK SYSTEM

Title III of the bill contains proposed amendments relating to the land-bank system, the purpose and objective of which are to increase borrower participation in the operations of the system, to increase operating efficiency, and to render a more complete long-term credit service to agriculture.

The Federal land-bank system consists of 12 Federal land banks and approximately 1,100 national farm loan associations. All of the national farm loan associations are capitalized and owned by their members, and all of the capital stock of each Federal land bank is owned by the national farm loan associations; therefore, the land-bank system is wholly member-owned. As of December 31, 1954, the national farm loan associations owned \$78 million of capital stock in the land banks, and the land banks had earned surplus and reserves totaling \$260 million.

Initially this system was primarily capitalized by the United States, under a plan which provided for eventual borrower ownership through the retirement of the Government's capital stock subscriptions as capital contributions of members increased.

The land banks make their loans to farmers and ranchers through the national farm loan associations. Each borrower must be a member of the association through which he obtains a loan and he must purchase stock in the association in an amount equal to \$5 for each \$100 borrowed. The association in turn must have a like amount of stock in the land bank. When the Government had capital invested in the land banks, the law required that each year an amount equal to 25 percent of the subscriptions by the national farm loan associations be retired. Originally the Government made stock subscriptions totaling about \$9 million. By 1932 this figure had been reduced to about \$150,000. However, in order to enable the banks to render their credit services to agriculture during the severe depression of the early thirties, \$125 million was made available in 1932 for subscriptions by the United States to capital stock of the Federal land banks, and under subsequent legislation, the first of which was enacted in 1933, the United States subscribed to the paid-in surplus of the banks in the amount of approximately \$189 million to enable the banks to grant deserving borrowers extensions and deferments of payments due on mortgage loans. By 1947, the banks had repaid all of these funds, and have since been completely member-owned.

The banks obtain their loan funds over and above their capital by the sale of consolidated farm loan bonds to the public. These bonds are the joint and several obligations of the banks, and are not guaranteed either as to principal or interest by the United States. As of December 31, 1954, the banks had outstanding consolidated bonds in the principal sum of approximately \$1,030 million.

At the present time the banks can make loans on farm properties in amounts not in excess of 65 percent of the normal value of the individual farm offered as security as that value is determined by land-bank appraisers. These appraisers are employees of the Farm Credit Administration and they operate under appraisal standards prescribed by the Farm Credit Administration. Loans so made are eligible collateral for the consolidated bonds issued by the banks.

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COMMITTEE AMENDMENTS

With the exception of perfecting and clarifying amendments, following is an explanation of the amendments to the bill made by the committee:

SECTION 103

This section amends section 36 of the Farm Credit Act of 1933. The language of subsection (c) contained in the bill as introduced would have retained a permanent Government interest in the surplus and reserves of the banks for cooperatives, even after all the Government stock in the banks had been retired. The amendment made by the committee will retain a Government interest in the surplus and reserves only so long as, and to the extent that, there is Government ownership of stock in the banks. In the event of liquidation, the assets remaining after payment of liabilities would be divided pro rata among the stockholders.

SECTION 201

This section, covering about five pages in the bill, provided for substantial changes in the financial structure and operation of the production credit associations and for the assumption of ownership by the associations of the production credit corporations. This was the most generally opposed section of the bill. There was no unanimity of criticism. Some witnesses thought it was too generous in its treatment of production credit associations—others that it imposed too heavy an obligation on them. The great majority were agreed, however, that the matter should have further study. With this the committee agrees. It has removed section 201 from the bill with the understanding that the Farm Credit Board will give this whole matter further study and will make new recommendations on the subject by the time Congress meets in January 1956. Deletion of section 201 required also the deletion of two minor sections of title II: sections 207 and 208.

SECTION 304

This section amends section 12 of the Federal Farm Loan Act, which establishes the terms and conditions on which farm mortgage loans may be made by the Federal land banks. Subsection (a) of the bill as introduced would have increased the present ceiling of \$100,000 on such loans to \$200,000 and eliminated the requirement that loans in excess of \$25,000 must have the approval of the central office of the Farm Credit Administration. The committee amendment puts the ceiling at \$200,000 but requires that any loan in excess of \$100,000 must have the approval of the Farm Credit Administration.

SECTION 401

The committee has added an amendment which will prohibit salaried officers or employees of the Farm Credit Administration from hereafter being elected or appointed members of a district farm credit board. Such employees are now ineligible for appointment but not for election. The provision will not affect the term of office of anyone now serving on such a board.

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ANALYSIS OF THE BILL

Short title

Section 1 provides that the short title of the bill shall be the Farm Credit Act of 1955.

TITLE I—BANKS FOR COOPERATIVES

Stock of the banks for cooperatives (sec. 101)

Section 101 would amend section 42 of the Farm Credit Act of 1933 so as to provide three classes of stock for the banks for cooperatives: Class A, class B, and class C. Each class would have a par value of \$100 a share.

Under present law, there is but one class of stock for the banks for cooperatives. Approximately 88 percent of the aggregate stock of the Central and regional banks for cooperatives is held by the Governor of the Farm Credit Administration on behalf of the United States. The balance is held by borrowers from the banks, who are required to purchase stock or subscribe to the guaranty fund in amounts related to the size of their loans. Present law authorizes dividends up to 7 percent per annum, but no dividend has been declared or paid by a bank for cooperatives. The rights of existing stockholders of the banks are adequately protected.

Class A stock.—Class A stock would be held only by the Governor of the Farm Credit Administration on behalf of the United States. Existing stock so held by the Governor on the effective date of title I of the bill would be exchanged, share for share, for class A stock of the respective banks. Class A stock would be nonvoting and it would not be entitled to dividends. At the end of each fiscal year, each bank would determine the amount of class A stock to be retired by the bank. Funds from the retirement of class A stock would be paid into the revolving fund in the United States Treasury from which subscriptions to stock of the banks are made and would continue to be available for subscriptions to class A stock when required for the purpose of meeting the credit needs of eligible borrowers from the banks.

The amount of class A stock which each bank would be required to retire each year would be the equivalent in dollar value of the amount of class C stock issued by the bank for that year except that (1) class C stock issued by a regional bank on account of class C stock issued to it by the Central Bank, (2) class C stock issued by a regional bank in exchange for class B stock the proceeds of which were used to retire an equivalent amount of class A stock, and (3) class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of title I would not be included in calculating the minimum amount of class A stock the bank must retire. Any amount of class A stock retired in excess of such minimum amount in any one year could be used to reduce to that extent the amount required to be retired in any subsequent year.

Class B stock.—Class B stock would be an investment stock intended for sale to farmers' cooperative associations and others as one of the new means of capitalizing the banks for cooperatives. It would be sold only at par and would be nonvoting. With the approval of the Farm Credit Administration, a bank would be authorized to pay noncumulative dividends on class B stock not in excess of 4 percent

per annum, if the surplus account of the bank after the payment of such dividends would not be less than 25 percent of the bank's outstanding stock. Patronage refunds could not be distributed in any year unless for that year a dividend of at least 2 percent was paid on class B stock. Class B stock would be issued in series and amounts approved by the Farm Credit Administration. The particular conditions of such stock would be stated on the face of the stock certificates. Class B stock could be called for retirement at par after all class A stock of the bank has been retired, the oldest outstanding class B stock to be called first. A holder of class B stock whose stock has been called for retirement could elect, with the approval of the issuing bank, to have his called stock remain outstanding, subject to its being included in the next call for retirement.

Class C stock.—Class C stock would in effect be the voting, common stock of the banks. It would be issued at its fair book value but not in excess of par. No dividends would be paid on it. Ordinarily it would be issued to and held by farmers' cooperative associations which borrowed from the banks for cooperatives, but class C stock of the Central Bank would only be issued to and held by regional banks. Class C stock could be issued in fractional shares as well as whole shares.

A cooperative association holding one or more shares of class C stock of a regional bank for cooperatives would be entitled to vote in the polls for designating nominees for appointment to the Federal Farm Credit Board pursuant to section 4 (a) of the Farm Credit Act of 1953, in the nomination polls and elections of members of district farm credit boards pursuant to section 5 of the Farm Credit Act of 1937, as amended, and in the nomination and election of directors of the Central Bank for Cooperatives under section 104 of the bill. The association, in such polls and elections, would have one vote only without regard to the number of shares of class C stock held by it. A cooperative association holding class C stock, and otherwise entitled to vote, would not be eligible to vote if it had not been a borrower from a bank of which it holds class C stock, or from the Central Bank, within a period of 2 years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting. The voting rights of an association holding existing stock of a bank for cooperatives would not be impaired. Associations holding guaranty-fund equivalents of class C stock or of existing stock would have the same voting rights as would the respective holders of such stock.

Each borrower from a bank for cooperatives would be required to own, at the time the loan is made, at least one share of class C stock, which might be paid for out of the loan proceeds. In addition, each borrower would be required quarterly to purchase class C stock in the lending bank in an amount equal to not less than 10 nor more than 25 percent of the amount of interest on loans payable by the borrower to the bank during the calendar quarter. The amount of the quarterly stock purchase, within the 10-25 percent limits, would be prescribed by the board of directors of the bank with the approval of the Farm Credit Administration. Payments for the stock required to be purchased would be made quarterly or when the regular interest payments of the borrower were payable. The stock would be issued to the borrower as of the end of the fiscal year in the amount of such payments made by the borrower during that fiscal year.

These required purchases of stock would not necessarily be limited to cooperative associations eligible to borrow, but might be imposed upon other entities which were carrying loans with a bank; for example, an association might become ineligible to borrow after it obtained a loan or an association's property might be acquired, subject to a loan, by a corporation not qualified as a cooperative association. Borrowers such as these could be required by regulations of the Farm Credit Administration to make the quarterly stock purchases.

Each regional bank would be required to own at least one share of class C stock of the Central Bank. Also, in connection with each loan made by a regional bank in which the Central Bank purchases a participating interest, the regional bank would be required quarterly to buy class C stock of the Central Bank in an amount equal to not less than 10 nor more than 25 percent of the amount of interest payable by the regional bank to the Central Bank during the quarter by reason of the participating interest of the Central Bank in the loan. The amount of the quarterly stock purchase, within the 10-25 percent limits, would be prescribed by the Board of Directors of the Central Bank with the approval of the Farm Credit Administration. The stock would be paid for by the regional bank and issued by the Central Bank in substantially the same way that borrowers from a regional bank would pay for and receive class C stock of the regional bank.

After all class A stock has been retired, class C stock could be retired at par through the method of retiring first the oldest class C stock outstanding, but class C stock issued for a fiscal year period could not be retired until all class B stock issued during or prior to that fiscal year had been called for retirement.

Stock conversion privileges.—Outstanding capital stock issued before the effective date of title I held by a borrower could be converted into class B or class C stock, and class B stock could be converted into class C stock for the purpose of making the quarterly purchases of class C stock required of a borrower (see also sec. 111).

Guaranty-fund subscriptions in lieu of stock purchases.—The laws of certain States do not permit cooperative associations to acquire stock in a bank for cooperatives. Consequently, section 101 contains provisions, similar to provisions of the existing law, which would authorize an association organized under the laws of such a State, in lieu of purchasing stock, to subscribe to a guaranty fund of the lending bank in amounts equivalent to the amounts of class C stock which the association would otherwise be required to purchase. Patronage refunds payable to such an association would be credited to the guaranty fund for its account in lieu of the issuance of class C stock. Such an association would also be authorized to make payments into the guaranty fund in lieu of the purchase of class B stock. To the extent permitted by the laws of the State under which such an association is organized, the holder of guaranty-fund equivalents of class B or class C stock would have the same rights and status as class B and class C stock, respectively; and the rights and obligations of the bank as respects such guaranty-fund equivalents would be the same as its rights and obligations with respect to class B or class C stock, respectively.

Lien on stock.—Section 101 would authorize the bank, upon default of a loan, to retire and cancel all or any part of the borrower's stock

in the bank at fair book value not exceeding par in total or partial liquidation of the debt. Thus, stock held by a borrower in a bank would constitute additional collateral for any indebtedness of the borrower to the bank. If an association borrowed directly from the Central Bank, that bank would have a first lien on any amount of class C stock which the association owned in any regional bank on account of the direct loan from the Central Bank, and the regional bank would have a lien on such stock, for any indebtedness of the association to it, junior only to the lien of the Central Bank. If a direct loan of the Central Bank were in default and class C stock issued by a regional bank to the borrower in connection with the loan were retired, the corresponding stock in the Central Bank held by the regional bank would also be retired.

Election of additional district farm credit board members.—Section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended by section 15 of the Farm Credit Act of 1953, provides that whenever the sum of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives, and surplus and reserves of the bank, shall equal or exceed 66⅔ percent of the total capital stock, subscriptions to the guaranty fund, surplus, and reserves of the bank, the cooperative associations which are stockholders or subscribers to the guaranty fund of the bank shall under prescribed conditions be entitled to elect a second member of the district farm credit board. Section 101 provides that, for the purposes of calculating such 66⅔ percent, the term “capital stock and subscriptions to the guaranty fund held by cooperatives,” or the equivalent of that term, shall mean all outstanding class B and class C stock of the bank and the guaranty-fund equivalents thereof, as well as outstanding stock issued before the effective date of title I.

Application of stock provisions to Central Bank (sec. 102)

Section 102 provides that the provisions of the bill relating to class A, class B, and class C stock of the regional banks shall apply generally to the Central Bank. An association borrowing directly from the Central Bank would be required to own at the time the loan is made at least one share of class C stock in a regional bank designated by the Farm Credit Administration. Such a borrower would be required to invest quarterly in class C stock in such regional bank or banks as the Farm Credit Administration might designate, amounts equal to not less than 10 nor more than 25 percent of the amount of interest payable by the borrower on the loan during the calendar quarter. The amount of the quarterly stock purchase, within the 10–25-percent limits, would be prescribed by the Board of Directors of the Central Bank with the approval of the Farm Credit Administration. Payments for the stock required to be purchased would be made quarterly or when the regular interest payments of the borrower were payable. The stock would be issued to the borrower as of the end of the fiscal year in the amount of such payments made by the borrower during that year. The regional bank which issued stock to such a direct borrower from the Central Bank would be required to purchase a corresponding amount of class C stock in the Central Bank.

Application of savings; distribution of assets upon liquidation (sec. 103)

Section 103 (a) amends section 36 of the Farm Credit Act of 1933 to provide a new method of application and distribution of the net

savings of the banks, as determined for each fiscal year in accordance with the bill, whereby all such savings would be applied or distributed by allocation and none would be retained by the banks in the nature of unapplied or unallocated earnings. Net savings would be the amount of income of a bank remaining after all operating expenses are paid or provided for, including the establishment of reasonable valuation reserves, and the making good of any losses in excess of any such valuation reserves. The net savings would be applied as follows:

1. *Restoring impairment of capital stock.*—If the board of directors of a bank had determined that the capital stock of the bank was impaired, net savings would be applied first toward the restoration of the amount of such impairment.

2. *Creation and maintenance of surplus account.*—After restoration of any impairment of capital stock, 25 percent of any remaining net savings would be carried to a surplus account. As used in the bill, "surplus account" means any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I, plus amounts added to the surplus account after such date. Amounts of net savings required to be carried to surplus account after the effective date of title I would be allocated to borrowers on a patronage basis approved by the Farm Credit Administration and if the surplus account of a bank exceeded 25 percent of its total outstanding capital stock, the bank might distribute all or any part of such allocated excess by issuing class C stock to the patrons to whom the allocations were made. Any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I could not be allocated or distributed, but would remain as a part of the permanent capital structure of the banks. The surplus account would be divided to show the amounts thereof subject to allocation and possible distribution in class C stock, and the amounts thereof which must be retained in the bank.

3. *Franchise tax.*—If during all or any part of a fiscal year the United States held stock in a bank for cooperatives, the bank, after making the required transfer to surplus account, would, as presently provided by law, pay a franchise tax to the United States equal to 25 percent of its net savings then remaining, but not exceeding a rate of return on the Government's investment in the bank's stock calculated at a rate equal to the computed average annual rate of interest on all public issues of public-debt obligations of the United States issued during the fiscal year ending next before such tax is due. Since the tax would be due on the last day of a fiscal year, the applicable rate of interest would be the rate for the preceding fiscal year. Patronage refunds received by a regional bank from the Central Bank would not be included in the computation of net savings of the regional bank for the purpose of computing the franchise tax since the Central Bank also would be subject to the franchise tax provisions.

4. *Contingency reserves.*—Out of net savings remaining after payment of any franchise tax a bank could establish and maintain reasonable contingency reserves. Amounts of net savings applied to contingency reserves after the effective date of title I would be allocated to borrowers on a patronage basis approved by the Farm Credit Administration. If at the end of any fiscal

year a bank determined that a portion of its contingency reserves was no longer necessary, such portion would be transferred to the surplus account.

5. *Dividends on class B stock.*—Net savings remaining after any application thereof to contingency reserves would be available for dividends on class B stock to the extent and under the conditions heretofore discussed.

6. *Patronage refunds.*—The balance of any net savings remaining after application and distribution as explained above would be distributed as patronage refunds. Patronage refunds would be paid in class C stock and would be paid in the proportion that the amount of interest earned by the bank on the loan of each borrower bears to the total interest earned on the loans of all borrowers from the bank during the fiscal year. The Central Bank would pay patronage refunds in its class C stock to the regional banks upon the basis of participating interests the Central Bank held in loans made by the respective regional banks. In the case of a direct loan made by the Central Bank, patronage refunds of the Central Bank would be paid in class C stock issued to the regional bank or banks which issued stock to the borrower in connection with such direct loans, or to a regional bank or banks designated by the Farm Credit Administration. Regional banks receiving class C stock of the Central Bank in connection with direct loans of the Central Bank would issue like amounts of their class C stock to the respective borrowers.

7. *Disposition of losses.*—A net loss in any fiscal year would be absorbed by: First, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of class C stock; and fifth, the impairment of all other stock.

Section 103 (a) also provides for the distribution of assets upon liquidation or dissolution of the banks. In that event, all liabilities would first be paid or payment thereof provided for. Next, capital stock issued before the effective date of title I held by cooperative associations, class A stock, and class B stock would be retired at par. Remaining assets of the bank would be used next to retire all class C stock at par. Any remaining assets would then be distributed as follows: First, surpluses and contingency reserves on hand on the effective date of title I would be paid to the holders of outstanding stock issued before the effective date of title I, class A and class C stock pro rata; and second, any residual assets (surpluses and contingency reserves) would be distributed as allocated on the books of the bank. Section 103 (a) also provides that in absorbing losses, allocated contingency reserves and allocated surplus shall be exhausted first and other contingency reserves and surplus would then be used.

Section 103 (b) provides that for the purpose of applying the amendment in subsection (a), the fiscal year 1956 may be divided and each part thereof treated as a separate fiscal year. Under this provision, the savings prior to the effective date of title I would be applied in accordance with the law in effect before such date and savings thereafter would be applied in accordance with the amendment contained in section 103 (a).

Board of Directors of Central Bank (sec. 104)

Under existing law the Board of Directors of the Central Bank for Cooperatives consists of seven members. One member is an official of the Farm Credit Administration designated by the Governor, who is ex officio Chairman of the Board and chief executive officer of the bank. The remaining 6 Directors are appointed by the Governor, 3 from nominees selected by cooperative associations which are borrowers from the Central Bank.

Section 104 would amend section 31 of the Farm Credit Act of 1933 to provide a new Board of seven members for the Central Bank. Initially 4 Directors would be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board and 3 would be elected by the regional banks for cooperatives and cooperative associations eligible to vote in accordance with regulations prescribed by the Farm Credit Administration. Any appointed Director could be removed at pleasure at any time by the Farm Credit Administration. The terms of office of members of the new Board would be staggered so that new members would be appointed and elected each year. After the expiration of initial terms expiring at the end of 1 and 2 years, respectively, the terms of office of all appointed and elected Directors would be 3 years.

Initially, for the purpose of electing Directors of the Central Bank, the 12 farm credit districts would be divided into 3 areas, each comprised of 4 contiguous farm credit districts, and a Director from each of such areas would be elected from nominees selected by the regional banks of the area and cooperative associations of the area eligible to vote. Whenever the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank not held by the Government and surplus and reserve accounts of the bank equaled or exceeded 66% percent of the total capital stock, subscriptions to the guaranty fund, and surplus and reserve accounts of the bank, additional Directors would be elected until a total of 6 of the Directors were elected Directors and the remaining 1 an appointed Director. When the number of elected Directors is to be increased from 3, the Farm Credit Administration would group the farm credit districts into 6 areas, each comprised of 2 contiguous farm credit districts and a Director would be elected from each of said 6 areas from nominees selected by the banks for cooperatives and associations eligible to vote in the area. If, after more than 3 Directors have been elected, the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank not held by the Government and surplus and reserve accounts of the bank should fall below the aforesaid 66% percent, elected Directors as their terms expired would be replaced by appointed Directors until again the number of elected Directors did not exceed 3.

In providing for the election of Directors, section 104 would grant the right to vote to the regional banks for cooperatives and to cooperative associations which are eligible to vote and own one or more shares of class C stock in a bank or one or more shares of presently outstanding stock. A principal reason for extending the voting rights in this way is because it is contemplated that under the bill there would be very few direct borrowers from the Central Bank, whereas the regional banks and cooperative associations using the system have a real interest in the management of the affairs of the Central

Bank. Each regional bank and each association eligible to vote would be entitled to one vote only without regard to the number of shares of stock it held, and the vote could be cast only with respect to elections in the area in which is located the main office of the voter.

Elected Directors would be required to have been residents of the area from which they are elected for a period of at least 2 years prior to the election. To be eligible for nomination, election, or appointment as a Director, a person could not have been within a period of 1 year next preceding the commencement of the term a salaried officer or employee of the Farm Credit Administration or of any corporation operating under supervision of the Administration. If a member of the Federal Farm Credit Board or of a district farm credit board were appointed or elected as Director, he would be required to resign as member of the Federal Board or district board before assuming duties as Director of the Central Bank. If a Director of the Central Bank became a member of the Federal Farm Credit Board or of a district farm credit board or an officer or employee of the Farm Credit Administration or of any corporation operating under its supervision, he would not be eligible to continue to serve as Director of the Central Bank. The provisions of section 104 with respect to the eligibility of Directors of the Central Bank is patterned after the similar provisions of the Farm Credit Act of 1953 relating to members of the Federal Farm Credit Board.

Powers of Boards of Directors

Under the present law the Chairman of the Board of the Central Bank is an officer of the Farm Credit Administration designated by the Governor. This official is also the chief executive officer of the bank. The powers of the Board of Directors are such as are prescribed in the charter and bylaws. Section 105 would authorize the Board of Directors to elect a Chairman and a Vice Chairman from among its members. It would also provide specifically that the Board, subject to approval of the Farm Credit Administration, would have power to appoint and fix the compensation of the chief executive officer and such other officers, employees, experts, and consultants as might be necessary for the efficient conduct of the bank's business. An officer or employee of the Farm Credit Administration would not be eligible to serve as chief executive officer of the bank.

Miscellaneous provisions (sec. 106)

Policy regarding loans by Central Bank.—Section 106 enacts into law the present policy under which the Central Bank makes loans only when it is not practicable for the loan to be made by a regional bank. Under this policy, the bulk of the business of the Central Bank is represented by interests purchased by the bank in the larger loans made by regional banks.

Authority of custodians of collateral (sec. 107).—Section 107 provides that custodians of collateral who act for the banks for cooperatives may act also, with the approval of the Farm Credit Administration, as custodians in connection with loans of eligible cooperative associations obtained from other sources. This provision would facilitate borrowings by the cooperative associations from commercial lenders.

Transfer of certain functions to Central Bank Board (sec. 108).—In view of the provisions of section 105 whereby the chief executive officer of the Central Bank would not be an official of the Farm Credit

Administration, and the proposed broadening of the powers of the Bank's Board of Directors, section 108 provides for the transfer to the Board of Directors of the bank or the Farm Credit Administration of authorities vested in the Chairman of the Board under present law, and provisions of existing law inconsistent with these provisions of the bill would be repealed (sec. 110 (c) also repeals a provision which is inconsistent with the provisions of the bill).

Interest rates (sec. 109).—Existing law relates the interest rates on loans made by the banks for cooperatives to interest rates charged by Federal intermediate credit banks and Federal land banks. Interest rates are prescribed by the Governor as he determines necessary for the needs of the banks, but no interest rate may exceed 6 percent per annum. The interest rate for operating capital loans is conformed as nearly as may be practicable to a rate 1 percent in excess of the rate paid by production credit associations to the intermediate credit banks. The interest rate on commodity loans conforms likewise to the prevailing interest rates on commodity loans charged by the intermediate credit banks and the interest rate on facility loans conforms to the rate charged by the Federal land banks on mortgage loans. In view of the necessity of setting rates so as to provide adequate interest income to the banks for cooperatives, it seems inappropriate and unrealistic to relate the interest rates that they may charge to rates charged by other institutions. Accordingly, section 109 provides that the boards of directors of the respective banks for cooperatives would prescribe the interest rates on loans from time to time with the approval of the Farm Credit Administration, but in no case could the interest rate exceed 6 percent per annum.

Receivership; voluntary liquidation (sec. 110).—The present law provides receivership and voluntary liquidation proceedings for the regional banks for cooperatives but not for the Central Bank. Section 110 (a) would make these provisions applicable also to the Central Bank.

Limitation on compensation.—Section 110 (b) would repeal the provision of law limiting to \$13,800 per annum the compensation which may be paid directors, officers, or employees of the banks for cooperatives, production credit corporations, and production credit associations. No limitations upon compensation have ever applied to Federal land banks, Federal intermediate credit banks, or national farm loan associations. However, the compensation of officers and employees of all supervised institutions is subject to the approval of the Farm Credit Administration. Placing institutions of the cooperative bank and production credit systems upon the same basis as are the others would be consistent with the express congressional policy to facilitate increased borrower participation in the management, control, and ultimate ownership of the farm credit system.

Authority to issue regulations.—Section 110 (d) would extend the general authority of the Farm Credit Administration to make regulations for the efficient execution of the Federal Farm Loan Act and acts amendatory thereof and supplementary thereto to the Farm Credit Act of 1933 and acts amendatory thereof and supplementary thereto. This provision would grant the Farm Credit Administration the same authority to issue regulations with respect to the banks for cooperatives, the production credit corporations, and production credit associations that it now has with respect to the Federal land

banks, Federal intermediate credit banks, and national farm loan associations.

Application to existing loans (sec. 111)

Generally, under section 111 of the bill, the provisions of title I would not apply to loans made before its effective date, except as and when such loans might be brought under the new provisions by agreements between the borrowers and the lending banks. Holders of stock of banks for cooperatives issued before title I became effective would retain voting rights. By agreement between a borrower and the bank, such stock may be converted in whole or in part into the new class B or class C stock or equivalent guaranty-fund credits. With respect to any such stock not so converted, the holder would retain his right to have such stock retired upon repayment of the loan. With the approval of the Farm Credit Administration, a bank might retire old stock and hold the stock proceeds as security for any indebtedness of the borrower to the bank.

Effective date (sec. 112)

In order that ample time would be given to effect the fundamental changes contemplated in the cooperative bank system and also to obviate difficulties of a fiscal nature, section 112 provides that title I would be effective on the first day of the month next following 120 days after the date of enactment.

TITLE II—PRODUCTION CREDIT SYSTEM

Title II contains provisions relating to the financial structure and operating problems of the production credit associations.

Preferential dividends on class A stock (sec. 201)

The law presently grants class A stock preference over class B stock upon liquidation of a production credit association but provides that these two classes of stock shall share in dividend distributions without preference. Class B stock is held for the most part by member-borrowers of the associations, generally in amounts required in connection with their loans. Class A stock represents investment capital provided by members, many of whom are not currently borrowing, and capital provided by the production credit corporations. Many members of production credit associations have voluntarily purchased class A stock to make possible a reduction in the amount of Government capital in the associations. The great majority of associations have refrained from paying dividends in order to build up their financial strength. Thus, the stockholders of many associations have carried their stock investment for a long period without dividends. It is felt that the time has now come to recognize the position of class A stockholders, who are contributing to the permanent capital of the associations, by making it possible for associations to pay dividends for their benefit without necessarily paying like dividends on the class B stock. Section 201 would authorize the associations to pay dividends on class A stock without also paying dividends on class B stock. Class B stock is largely held by the active borrowers receiving direct benefits in the form of loans from the associations. This section, by encouraging further investments in

class A stock, would tend to reduce the need for Government capital in the associations.

Distribution of earnings; elimination of guaranty fund; payment of dividends (sec. 202)

The law now requires as a condition precedent to the payment of dividends by a production credit association that it establish and maintain out of its earnings a guaranty fund at least equal in amount to 25 percent of its paid-in capital. The guaranty fund of an association may not be used for making loans to farmers nor as security for borrowings by the association. Accordingly, the guaranty fund of an association is largely immobilized and the association is handicapped to that extent in the full use of its capital funds in meeting the credit needs of its members. Therefore, section 202 would abolish the guaranty fund and provide that the earnings of an association in excess of its operating expenses would be applied, first, to the restoration of capital impairments, if any, and second, to the establishment and maintenance of a surplus account, the minimum amount of which would be prescribed by the production credit corporation of the district. As is the case under existing law, an association would be authorized to pay dividends of not to exceed 7 percent per annum; however, dividends would be paid only when such payments are approved by the production credit corporation of the district and are consistent with policies established by the Farm Credit Administration.

Reserves transferred to surplus account (sec. 203)

Section 203 provides that as of the effective date of title II, any amounts held by a production credit association pursuant to present law in its guaranty fund or in its reserve for bad and doubtful debts would be transferred to the surplus account which would be established under section 202.

Approval of "excess" loans (sec. 204)

Because section 202 would abolish the guaranty fund of associations, section 204 would also eliminate from the statute the prohibition against use of the guaranty fund for making loans to farmers and would amend provisions relating to the size of loans which require prior approval by the production credit corporation or by the corporation and the Farm Credit Administration. Under present law such approvals are required if a proposed loan exceeds specified percentages of the lending association's capital and guaranty fund. Section 204 would change the provisions as regards prior approval of loans by providing that no loan could be made by an association which would cause the aggregate indebtedness of the borrower to the association to exceed 15 percent of the capital and surplus of the association unless the loan is approved by the production credit corporation, and a loan could not exceed 35 percent of the capital and surplus of the association unless it is approved also by the Farm Credit Administration. The new provisions with respect to prior approval of loans would require approval of substantially the same size loans as must have prior approval under existing law.

Taxable status of associations (sec. 205)

Under present law a production credit association is exempt from most taxes so long as the production credit corporation owns any of

its stock. When all stock of the association owned by the corporation is retired, such tax exemption would terminate. Section 205 would provide that where the production credit corporation holds no class A stock of an association but owns class C stock (authorized by the Farm Credit Act of 1953), the association would be subject to taxation.

TITLE III—FEDERAL LAND BANK SYSTEM

Title III contains amendments relating to the land-bank system, the purpose and objective of which are to increase borrower participation in the operations of the system, to increase operating efficiency, and to render a more complete long-term credit service to agriculture.

Reports to Farm Credit Administration (sec. 301)

Under present law, the Federal land banks and the national farm loan associations are required to furnish the Farm Credit Administration with a quarterly statement of their condition. In addition, it is the duty of the secretary-treasurer of each national farm loan association to furnish a quarterly report to the Farm Credit Administration. Experience has shown that such reports are not necessary quarterly and that it may be preferable to have them at other intervals, such as annually or semiannually. Section 301 would amend such provisions to require that the reports involved be made to the Farm Credit Administration "as required by it," instead of "quarterly."

Stock subscriptions by the United States (sec. 302)

The Federal Farm Loan Act contains a paragraph, added in 1932, which provides for subscriptions by the United States to the capital stock of the Federal land banks, authorizes an appropriation of \$125 million therefor, and directs that repayments of such stock be held in a revolving fund available for further stock subscriptions. The last of the stock held by the United States in the land banks was paid off and retired in 1947 and, as directed by the Congress, the revolving fund was covered into the general fund of the Treasury in 1950. At the present time, therefore, there is no appropriation available for further subscriptions by the United States to the capital stock of the land banks and section 302 would repeal the statutory authority for such subscriptions and appropriations.

Appraisals by land bank designees (sec. 303)

Before a Federal land-bank loan now may be closed, the application therefor must be referred to a land-bank appraiser, who is a public official appointed by the Farm Credit Administration, to investigate and make a written report on the security offered for the loan. The loan may not be made unless such written report of the land-bank appraiser is favorable. Also, the amount of any loan may not exceed 65 percent of the normal value of the security as determined by the land-bank appraiser. A loan made within such requirements, among others, may then be pledged by the bank as collateral security for farm loan bonds at the amount of its unpaid balance.

As a result of long experience in making and servicing such loans, there are now employees of national farm loan associations and of Federal land banks, as well as certain others in each district, sufficiently familiar with the appraisal standards prescribed by the Farm Credit Administration to enable such employees, subject to subsequent

review by a regular land-bank appraiser, to make the investigation and appraisal of the security now required to be made by a land-bank appraiser. Section 303 would amend section 10 of the Federal Farm Loan Act to authorize a Federal land bank, with the approval of the Farm Credit Administration, to make a loan on the basis of an investigation and a favorable written report by a person designated by the Federal land bank of the district. A loan so made could then be used as collateral for bonds at its unpaid balance. A bank making any such loan would be required to obtain, within 1 year, a written report on the security for the loan by a regularly appointed land-bank appraiser. In the event that the unpaid balance of the loan is more than 65 percent of the normal value established by the land-bank appraiser, the loan could not thereafter be carried as bond collateral at an amount in excess of such 65 percent. Further, the loan could not thereafter be used as bond collateral in any amount unless the report by the land-bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land-bank loan.

Purposes of loans (sec. 304 (a))

The Federal Farm Loan Act enumerates five purposes for which Federal land-bank loans may be made. One of the specified purposes is to provide the owner of the land mortgaged with funds for general agricultural uses. This purpose is broad enough to include such other specified purposes as the purchase of land for agricultural uses; the purchase of equipment, fertilizers, and livestock for operation of the mortgaged farm; and to provide buildings and farmland improvements. The other specific purpose of such loans is to liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred at least 2 years prior to the date of the loan application. In some instances, an applicant may desire to obtain a loan for a purpose which is sound and appropriate in his circumstances, but the purpose is not plainly within those enumerated in the existing law. Section 304 (a) would restate the existing purposes in a single comprehensive provision which would recognize not only all general agricultural purposes, but, under rules and regulations of the Farm Credit Administration, also other requirements of the owner of the land to be mortgaged as security for the loan.

Basis of farm appraisal (sec. 304 (b))

The law now provides that a Federal land-bank loan may not exceed 65 percent of the normal value of the farm mortgaged, as ascertained by appraisal, and that "In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor." Section 304 (b) would amend the sentence to add that, "consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm."

Appraisals under the existing statutory standard have reflected to some extent the home advantages of the farm offered as security, as well as the availability of earnings from other dependable sources. However, under existing statutory restrictions these factors in many instances could not be sufficiently reflected in the appraisals so that

so-called part-time farms, the operators of which commonly avail themselves of other employment, could be deemed acceptable security for land-bank loans. The amendment made by section 304 (b) would enable the Federal land banks to extend their loan service to cover many of such part-time farm properties.

Loans to farming corporations (sec. 304 (c))

Since 1935, the Federal Farm Loan Act has included a provision that Federal land-bank loans may be made to a corporation engaged in the raising of livestock if at least 75 percent in value and number of shares of the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the farm to be mortgaged as security for the loan, and if the owners of at least 75 percent in value and number of shares of the stock of the corporation assume personal liability for the loan. The conditions applicable to livestock corporation loans make such loans available, for the most part, only to cases of closely held or family-type corporations. Section 304 (c) would amend the existing provision to authorize loans to corporations engaged in general farming operations if they meet the same requirements which now apply to corporations engaged in the raising of livestock.

Maximum loans (sec. 304 (d))

Under existing law the amount of land-bank loans to any one borrower is limited to \$100,000, but loans to any one borrower may not exceed \$25,000 unless approved by the Farm Credit Administration. Section 304 (d) of the bill would increase the maximum loan limit from \$100,000 to \$200,000, and require loans over \$100,000 to be approved by the Farm Credit Administration.

Deferment of installment payments (sec. 305)

Federal land-bank loans are required to be made on an amortization plan under which the loan will be repaid within an agreed period of not more than 40 years. The land banks now have authority to permit borrowers to defer the payment of principal installments on their loans in distress cases. The Federal Farm Loan Act also includes a provision which specifically authorizes the banks to permit a borrower to defer payment of the principal portions of installments on his loan in order that he may pay indebtedness secured by a lien junior to the lien of the bank upon the farmland mortgaged to secure his land-bank loan. Section 305 would permit deferments for other purposes for a period not exceeding 5 years under regulations prescribed by the Farm Credit Administration.

Legal reserves (sec. 306 (a))

Federal land banks.—Under existing law, each land bank is required to carry to reserve account semiannually a certain percentage of its net earnings (not less than 50 percent until said reserve equals its capital stock and thereafter 10 percent). There is no limitation on the total amount of legal reserve which is thus required to be established. Section 306 (a) would limit the legal reserve required to be accumulated by a Federal land bank to 150 percent of its outstanding capital stock, and permit any land bank having a legal reserve in excess of such 150 percent to withdraw such excess from the legal reserve account with the approval of the Farm Credit Administration.

National farm loan associations (sec. 306 (b)).—Under existing law, each national farm loan association is required to carry to reserve account semiannually a certain percentage of its net earnings (not less than 10 percent until said reserve equals 25 percent of its capital stock and thereafter 5 percent). As in the case of the Federal land banks, there is no limitation on the total amount of legal reserve which is thus required to be established. Section 306 (b) would limit the legal reserve required to be accumulated by a national farm loan association to 50 percent of its outstanding capital stock, and would permit any association having a legal reserve in excess of 50 percent of its outstanding capital stock to withdraw such excess from the legal reserve account with the approval of the Farm Credit Administration.

Effective date.—Section 306 (c) of the bill would make the new limitations on the legal reserves of land banks and farm loan associations effective on the next January 1, or July 1 whichever first occurs after enactment.

Examination costs of national farm loan associations (sec. 307)

Under existing law, the costs of examinations of the national farm loan associations by the Farm Credit Administration is assessed against and collected from the Federal land bank in the district, and there is no provision for recovery of such costs from the national farm loan associations. Section 307 would provide that such costs of examinations shall be apportioned to the national farm loan associations but shall continue to be assessed against and collected from the Federal land bank of the district, with the bank being authorized to collect such amounts from the associations in a manner approved by the Farm Credit Administration.

TITLE IV—MISCELLANEOUS PROVISIONS

Elections

Directors of district boards.—Section 401 (a) would amend section 5 (b) of the Farm Credit Act of 1937 to make ineligible for election to a district farm credit board any salaried officer or employee of the Farm Credit Administration or of any corporation operating under the supervision of the Farm Credit Administration. Any such officer or employee is now ineligible for appointment to membership on the district board. This amendment would not affect the term of office of any person serving on such board on the date of enactment of the bill.

Three of the 7 members of a district farm credit board are elected 1 each by 3 groups of associations in the district (national farm loan associations, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives). Each of these groups is entitled to elect an additional director to the district farm credit board to serve in lieu of an appointed district director (or third district director), whenever, as determined by the Farm Credit Administration, the Government capital devoted to such group has either been returned or reduced below a specified level. Under existing law, such an election may not be begun until the required determination is made by the Farm Credit Administration as of the date 3 months before the expiration of the term of office to which the additional elected director is to succeed. Section 401 (b) would change such determination date from 3 months

to 6 months before the expiration of the term to which the additional elected director is to succeed and permit the Farm Credit Administration to begin such elections as much as 3 months earlier, or at any time within 6 months before the expiration of the term.

Nominations for appointment to Federal Farm Credit Board (sec. 402 (a)).—Twelve of the 13 members of the Federal Board are appointed by the President after considering nominations by the 3 voting groups in each farm credit district. If there should be a tie in the final voting by any of the three voting groups, present law provides that the election procedure shall be repeated for the particular group until the tie is broken. Section 402 (a) would eliminate the present requirement of any further election to break such a tie and would provide instead that all persons so tied shall be considered designated as nominees.

Term of office of members of Federal Farm Credit Board (sec. 402 (b) (c))

The term of office of the appointed members of the Federal Farm Credit Board now begins on December 1. Section 402 (c) would extend existing terms of office 4 months so that in the future the term of office of all successors would begin on April 1. Since there is a provision in the existing law as to how long a member of such Board shall be eligible to serve, section 402 (b) of the bill would amend that provision to permit a member to serve an additional 4 months if his term is one which would be extended for 4 months.

Separability provision (sec. 403)

Section 403 of the bill contains the usual separability provision and reserves the right to alter, amend, or repeal the enacted bill.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF JUNE 16, 1933

AN ACT To provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

SECTION 1. This Act shall be known as the "Farm Credit Act of 1933."

* * * * *

SEC. 21. The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by the Production Credit Corporations, and which may be purchased and held by investors, and (2) Class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No Class B stock or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association.

Each holder of Class B stock, within two years after he has ceased to be a borrower, shall exchange such Class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for Class A stock. [All stock shall share in dividend distributions without preference] *Dividends may be paid on Class A stock and Class B stock without preference or on Class A stock alone, as the board of directors of the association may determine*, but the directors of the association, may, in their discretion, apply the amount of any dividend payable to a holder of Class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation.

[SEC. 22. Each Production Credit Association shall, at the end of its fiscal year, apply the amount of earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and, fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation.]

SEC. 22. (a) Each Production Credit Association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the Production Credit Corporation.

(b) A Production Credit Association may pay dividends of not to exceed 7 per centum per annum when such payments are approved by the Production Credit Corporation of the district and are consistent with policies established under regulations issued by the Farm Credit Administration.

[SEC. 23. Each Production Credit Association shall under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the Governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 22 shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one borrower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21.]

SEC. 23. Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the corporation. No borrower shall be indebted to the association at any one time in an amount in excess of 15 per centum of the capital and surplus of the association unless the loan has the prior approval of the corporation, or in excess of 35 per centum of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time

the loan is made, Class B stock of the association in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5.00 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21 of this Act.

* * * * *

[Board of Central Bank

[SEC. 31. (a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Administration, who shall be chairman of the board of directors. The other six directors shall be appointed by the Governor, of whom the successors of the three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b). The terms of the directors first appointed shall be for one, two, and three years as designated by the Governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the Governor. No compensation shall be paid any director as a director of the corporation, but the corporation, subject to the approval of the Governor, may allow directors a reasonable per diem and expenses.

[(b) The successors of three of the directors first appointed shall be selected one each year by the Governor from among individuals nominated by borrowers (except Banks for Cooperatives). The Governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided, or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The Governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the Governor shall appoint the director.]

SEC. 31. *Board of Directors of Central Bank* The Central Bank for Cooperatives shall have seven directors. Of this number four shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board and three shall be elected by the regional banks for cooperatives and cooperative associations: *Provided*, That the terms of office of directors established prior to the effective date of title I of the Farm Credit Act of 1955 shall continue through the thirty-first day of December next following the effective date of said title I and shall expire at the end of that day. Three of the directors appointed by the Farm Credit Administration shall be appointed for terms of one year, two years, and three years respectively as designated at the time of appointment and the fourth appointed director shall be appointed for a term of three years and thereafter each appointed director shall be appointed for a term of three years. Any appointed director may be removed at pleasure at any time by the Farm Credit Administration. The Farm Credit Administration shall prescribe rules and regulations for the nominations and elections required by this section. Sufficiently in advance of the first day of January next following the effective date of title I of the Farm Credit Act of 1955, and at any time subsequent to the enactment thereof, the Farm Credit Administration shall take all action necessary in order to permit the elections hereby provided and shall group the several farm credit districts into three areas, each of which shall be comprised of four contiguous farm credit districts, and a director shall be elected from nominees from each of such areas by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote. The three elected directors shall be elected for terms of one year, two years, and three years respectively, as shall be designated by the Farm Credit Administration and thereafter elected directors shall be elected for terms of three years: *Provided*, That whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall equal or exceed 66⅔ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of said bank as of the date six months before the expiration of the term of office of any appointed director, except the fourth appointed director, whose term next expires, the successor to such director shall be elected from nominees for a term of three years by regional banks for coopera-

tives of the area and cooperative associations of the area eligible to vote on a basis of areas comprised of two contiguous farm credit districts as designated by the Farm Credit Administration. Appointed directors except the fourth appointed director shall continue to be replaced by elected directors in accordance with the foregoing provisions until the total number of elected directors shall be six, elected one from each of six such areas comprised of two contiguous farm credit districts. Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the Central Bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall not equal or exceed 66⅔ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of the bank as of the date six months before the expiration of the term of office of any elected director whose term next expires, the successor to such elected director shall, if the number of elected directors then exceeds three, be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board for a term of three years. In any such case where only one additional appointed director is needed in order to increase the total number of appointed directors to four, and the terms of office of more than one elected director next expire, the Farm Credit Administration shall designate the one of such next expiring terms of office which shall be replaced by the additional appointed director. Any vacancy in the board whether filled by appointment or by election shall be filled for the unexpired term in the same manner in which the vacant office was filled. Each regional bank for cooperatives, each cooperative association which is a direct borrower from the Central Bank, each holder of one or more shares of Class C stock in a regional bank for cooperatives which is eligible to vote under section 42 (a) (3), and each holder of one or more shares of stock in the Central Bank or any regional bank for cooperatives issued before the effective date of title I of the Farm Credit Act of 1955 which is eligible to vote shall be eligible to vote for directors of the Central Bank and each such holder shall be entitled to one vote only without regard to the number of shares held in any one or more of said banks, and the vote of any such holder of stock in more than one bank shall be cast only with respect to elections in the area in which is located the main office of such holder. Elected directors shall have been, for at least two years, residents of the area for which they are elected. No person shall be eligible for nomination, election or appointment as a director if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration or of any corporation operating under its supervision. Any person who is a member of the Federal Farm Credit Board or a district farm credit board when appointed or elected as director shall resign as a member of the Federal Farm Credit Board or the district board before assuming his duties as director of the Central Bank. No person who becomes such director shall be eligible to continue to serve if he becomes a member of the Federal Farm Credit Board or any district farm credit board or an officer or employee of the Farm Credit Administration or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration.

[Powers of Chairman and Board

[SEC. 32. The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws.]

SEC. 32. Powers of Board of Directors of Central Bank. The board of directors of the Central Bank for Cooperatives shall elect a chairman and vice chairman from among its members. The powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws with the approval of the Farm Credit Administration: Provided, That said board without limitation of powers conferred by section 60 shall have power, subject to approval of the Farm Credit Administration, to appoint and fix the compensation of the chief executive officer and such other officers and employees, experts, and consultants as may be necessary for the efficient conduct of the bank's business: Provided further, That the chief executive officer of the bank shall not be an officer or employee of the Farm Credit Administration.

SEC. 33. The capital stock of the Central Bank shall be in such amount as the Governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this title, and the Governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 35 and 37, in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 6 of the Agricultural Marketing Act, as amended, the Governor, on behalf of the United States, shall subscribe for and make payments for stock in

the Central Bank and such payments shall be subject to call in whole or in part by the [chairman of the board] *board of directors* of the Central Bank with the approval of the Governor.

SEC. 34. Subject to such terms and conditions as may be prescribed by the [chairman of its board of directors] *Farm Credit Administration*, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 2 of this Act; (c) to buy from, and sell to any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, the Central Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures located in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by such bank: *Provided*, That the cooperative association which has applied for any loan shall have furnished to such bank an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures were not additions to existing structures or two years if such structures are additions to existing structures.

[Stock Subscriptions of Borrowers From Central Bank]

[SEC. 35. (a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan, except that, in connection with any loan made on the security of commodities, the borrower shall be required to own, at the time the loan is made, only such amount of stock as may be prescribed by rules and regulations of the Governor. Upon discharge of the loan, stock held by the borrowing association may be, and upon the concurrent or subsequent request of the borrowing association shall be, retired and canceled, and the association shall be paid therefor an amount equal to the amount paid for such stock or loaned to subscribe therefor, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the Chairman of the Board of the Central Bank.

[(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in stock if such association had been authorized to hold such stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock.

[(c) In any case where the debt of a borrower to the Central Bank is in default, the bank may, in accordance with rules and regulations prescribed by the governor, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof (not exceeding par), in total or partial liquidation of the debt, as the case may be.]

SEC. 35. *Application of regional bank stock provisions to Central Bank. All provisions of law with respect to Class A, Class B, and Class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the Central Bank shall be required to own at the time the loan is made at least one share of Class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in Class C stock in such regional bank or banks as the Farm Credit Administration shall designate an amount equal to not less than*

10 nor more than 25 per centum, as prescribed by the board of directors of the Central Bank with the approval of the Farm Credit Administration, of the amount of interest payable by such borrower to the Central Bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of such borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during such year. The regional bank whose stock is so issued to such borrower shall purchase a corresponding amount of Class C stock in the Central Bank.

[Earnings and Reserves of Central Bank

[SEC. 36. The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum shall be paid. Dividends on stock held by the Governor, when paid, shall be credited to the revolving fund created under section 6 of the Agricultural Marketing Act, as amended.]

SEC. 36. (a) Application of savings. Each bank for cooperatives, at the end of each fiscal year, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 per centum of any remaining savings shall be used to create and maintain a surplus account; (3) if said bank shall have outstanding capital stock held by the United States during the whole or any part of the fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 per centum of its net savings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of Treasury; (4) reasonable contingency reserves may be established; (5) dividends on Class B stock may be declared as provided in section 42 (a) (2); and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (b) of this section: Provided, That any patronage refunds received by a regional bank from the Central Bank shall be excluded from net savings of the regional bank for the purpose of computing such franchise tax. Amounts applied as provided in (2) and (4) above after the effective date of title I of the Farm Credit Act of 1955 shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year, any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceeds 25 per centum of the sum of all its outstanding capital stock, the bank may distribute in the same manner as a patronage refund any part or all of such excess which has been allocated. In making such distributions, the oldest outstanding allocations shall be distributed first. Wherever used in this Act, the words "surplus account" as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 and any amounts applied as provided in (2) above after the effective date of said title I. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this section and may be further subdivided as prescribed by the Farm Credit Administration. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of Class C stock; and fifth, the impairment of all other stock.

(b) Patronage refunds. The patronage refunds of each regional bank for cooperatives shall be paid in Class C stock to borrowers, as defined by the Farm Credit Administration for the purposes of this subsection, during the fiscal year for which the refunds are declared. Patronage refunds of the Central Bank for Cooperatives shall

not be entitled to vote. From time to time each bank for cooperatives shall obtain information concerning its Class C stockholders to determine whether they continue to be eligible to borrow from the bank and to vote. Any Class C stockholder found by the bank to be ineligible to borrow shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank. Whenever in section 5 of the Farm Credit Act of 1937, as amended, and section 4 (a) of the Farm Credit Act of 1953, provision is made for a nomination or election by cooperatives which are stockholders or subscribers to the guaranty fund of any bank for cooperatives the term "cooperatives which are stockholders or subscribers to the guaranty fund" or the equivalent of that term, shall mean such cooperatives which are eligible to vote. Each borrower from a bank for cooperatives shall be required to own at the time the loan is made at least one share of Class C stock. The purchase price of such stock may be retained out of the loan. In addition, each borrower as defined by the Farm Credit Administration for purposes of this sentence, shall be required to invest quarterly in Class C stock an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the bank with the approval of the Farm Credit Administration, of the amount of interest payable by it to the bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of the borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during the year. Each regional bank shall purchase at least one share of Class C stock of the Central Bank. In addition, the regional bank shall be required to invest quarterly in Class C stock of the Central Bank an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the Central Bank with the approval of the Farm Credit Administration, of the amount of interest payable by the regional bank to the Central Bank during the calendar quarter by reason of any interest purchased by the Central Bank in a loan made by the regional bank. Payments for such stock shall be made to the Central Bank and the stock shall be issued to the regional bank in the same manner, insofar as practicable, as is provided in this section for payments for and issuance of stock on account of loans by the regional bank in which the Central Bank does not purchase any interest. Subject to rules prescribed by the board of directors of the lending bank with the approval of the Farm Credit Administration, a borrower may convert Class B stock into Class C stock for the purpose of making the investment in Class C stock required by this paragraph. After retirement of all Class A stock Class C stock also may be retired at par by calling the oldest outstanding Class C stock but Class C stock that was issued for a fiscal year period shall not be called for retirement until all Class B stock that was issued during or prior to that fiscal year has been called for retirement.

(b) *Guaranty fund subscriptions in lieu of stock.* If a cooperative association is not authorized under the laws of the State in which it is organized to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit to the guaranty fund, a sum equal to the amount of Class C stock which the association would otherwise be required by subsection (a) (3) of this section to own at the time the loan is made and to purchase thereafter. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of Class B stock, and shall receive credits to such fund in lieu of patronage refunds payable in Class C stock. Each reference in this Act to capital stock or Class B or Class C stock shall include also the guaranty fund equivalents of such stock, and, to the extent permitted under the laws of a State in which a cooperative association is organized, a holder of guaranty fund equivalents of either Class B or Class C stock shall have the same rights and status as a holder of Class B or Class C stocks, respectively. The rights and obligations of the bank as respects such guaranty fund equivalents shall be identical to its rights and obligations as respects Class B or Class C stock, respectively.

(c) *Lien on stock.* Except as hereinafter provided in the case of an association which is a direct borrower from the Central Bank, each bank for cooperatives shall have a first lien on all stock in the bank owned by each cooperative association as additional collateral for any indebtedness of such association to the bank. In the case of an association which is a direct borrower from the Central Bank, the Central Bank shall have a first lien on any amount of Class C stock which the borrowing association owns in any regional bank on account of direct loans of such association from the Central Bank; and the regional bank shall have a lien on such stock junior only to the lien of the Central Bank. In any case where the debt of a borrower is in default, the bank may, in accordance with regulations of the Farm Credit Administration, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof, not exceeding par, in total or partial liquidation of the debt, as the case may be, and,

to the extent required, corresponding shares held by a regional bank in the Central Bank shall be retired.

(d) Calculation of proportionate interests in banks. For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term "capital stock and subscriptions to the guaranty fund held by cooperatives" or the equivalent of that term shall also mean all outstanding Class B and Class C stock and the guaranty fund equivalents thereof.

* * * * *

SEC. 63. The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this Act, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the Class A stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired.

* * * * *

SEC. 65. Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or [regional] Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the Governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank, association, or corporation may, with the consent of the Governor, liquidate voluntarily, but only in accordance with such rules and regulations as the Governor may prescribe.

[SEC. 66. No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation in excess of \$13,800 per annum.]

ACT OF JUNE 15, 1929

AN ACT To establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

* * * * *

SEC. 8. [(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall from time to time determine to be necessary for the needs of the lending agencies and shall by regulation prescribe (but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal): *Provided, however,* That the rate of interest on any loan made under the provisions of section 7 (a) (1) hereof, other than upon the security of commodities, shall conform as nearly as may be practicable to a rate 1 per centum in excess of the prevailing interest rate paid by production credit associations to the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; the rate of interest on any loan made upon the security of commodities shall conform, as nearly as may be practicable, to the prevailing interest rate on commodity loans charged borrowers from the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; and that the rate of interest on any loan made under the provisions of section 7 (a) (2) hereof shall conform as nearly as may be practicable to the prevailing rate on mortgage loans made to members of national farm loan associations.]

(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.

* * * * *

ACT OF AUGUST 6, 1953

AN ACT To increase farmer participation in ownership and control of the Federal Farm Credit System; to create a Federal Farm Credit Board; to abolish certain offices; to impose a franchise tax upon certain farm credit institutions; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE —

SECTION 1. This Act may be cited as the "Farm Credit Act of 1953".

* * * * *

SEC. 4. (a) There shall be established, in the Farm Credit Administration, a Federal Farm Credit Board (hereinafter referred to as the "Board"). Said Board shall consist of thirteen members. Twelve of the members, one from each of the farm credit districts of the United States, shall be known as appointed members and shall be appointed by the President with the advice and consent of the Senate. In making appointments to the Board the President shall have due regard to a fair representation of the public interest, the welfare of all farmers and the various types of cooperative agricultural credit interests; shall give special consideration to persons who are experienced in cooperative agricultural credit; and shall, before making such appointments, receive and consider nominations made as follows: The national farm loan associations in the district shall designate one nominee, the production credit associations in the district shall designate one nominee, and the cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district shall designate one nominee, in accordance with the procedure prescribed in sections 5 (e) and 5 (f) of the Farm Credit Act of 1937 for the nomination and election of members of a district farm credit board, except that only the two persons receiving the highest number of votes shall be included in the list of nominees prepared as a result of the voting under the procedure prescribed in said section 5 (e): *Provided*, That the names of all those who are tied for second place as a result of said voting shall be included in the list; and in case of a tie in the voting under the procedure prescribed in said section 5 (f) [the procedure prescribed therein shall be followed again until the tie is broken] *all persons so tied shall be considered designated as nominees: And provided further*, That if the same person would otherwise be on the list of nominees of more than one of said groups as a result of the voting under said section 5 (e) he may choose the one list on which his name shall appear, and otherwise his name shall appear only on the list of the two highest nominees of the group which gave him the highest percentage of its votes. Subsequent appointments shall be made after receiving and considering nominations made in like manner.

(b) Each appointed member of said Board shall be a citizen of the United States and shall have been a resident of the farm credit district from which appointed for not less than ten years next preceding his appointment, and the removal of residence from the district during his tenure shall operate as a termination of his membership on said Board. No appointed member of said Board shall be eligible to serve for more than one full term of six years, and, in addition, a term of less than six years if he is one of the first members to be appointed, or is appointed to fill, the unexpired portion of one term expiring before his appointment to a full term, *except that one full term of six years shall be considered to include an additional four months if the particular term is one which was legally extended for an additional four months*. No person shall be eligible for nomination or appointment to membership as an appointed member on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration. Any person who is a member of the district farm credit board when appointed as a member of the Federal Farm Credit Board shall resign as a member of the district board before assuming his duties as a member of the Federal Farm Credit Board. No person who becomes an appointed member of said Board shall be eligible to continue to serve as a member thereof if such person becomes a member of any district farm credit board, or an officer or employee of

the Farm Credit Administration, or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration.

(c) The term of office of the appointed members of said Board shall be six years, beginning with the first day of the calendar month in which this Act takes effect, and such members shall serve until their successors are duly appointed and qualified; however, of the first appointed members appointed hereunder, two shall be appointed for a term of one year from said date, two for a term of two years, two for a term of three years, two for a term of four years, two for a term of five years, and two for a term of six years. All vacancies in the offices of appointed members on said Board shall be filled for the unexpired portion of the term upon like nominations and by like appointments as herein provided for the appointment of the first such members of said Board. *All terms of office which otherwise would expire on November 30 of any year following enactment of the Farm Credit Act of 1955 are extended four months to expire on the following March 31 so that the term of office of all successors to the terms so extended shall begin with the first day of April.*

* * * * *

SEC. 7. (a) The offices of the Land Bank Commissioner, Production Credit Commissioner, Cooperative Bank Commissioner, and Intermediate Credit Commissioner are hereby abolished. [The Governor shall designate an officer or employee of the Farm Credit Administration to serve at the pleasure of the Governor as a member of the board of directors of the Central Bank for Cooperatives, as chairman of said board of directors, and as executive officer of said bank, in lieu of the Cooperative Bank Commissioner.] The Governor shall designate an officer or employee of the Farm Credit Administration to serve at the pleasure of the Governor as a member of the board of directors of the Federal Farm Mortgage Corporation, in lieu of the Land Bank Commissioner. The Federal Farm Mortgage Corporation and its functions and activities are hereby transferred to the Farm Credit Administration and shall be administered therein under the general direction and supervision thereof.

ACT OF JANUARY 23, 1932

AN ACT To amend the Federal Farm Loan Act, as amended, to provide for additional capital for Federal land banks, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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SEC. 6. The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of the Federal Farm Loan Act, *the Farm Credit Act of 1933*, and/or any Act or Acts amendatory thereof or supplementary thereto.

ACT OF JULY 17, 1916

AN ACT To provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be "The Federal Farm Loan Act."

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SEC. 3.

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[The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said administration.]

The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out by each such association or bank and transmitted to said administration as required by it.

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SEC. 5.

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[It shall be the duty of the Secretary of the Treasury on behalf of the United States, upon the request of the board of directors of any Federal land bank made with the approval of the Farm Credit Administration, to subscribe from time to time for capital stock of such bank in an amount or amounts specified in such approval or approvals, such subscriptions to be subject to call in whole or in part by the board of directors of said bank upon thirty days' notice with the approval of the Farm Credit Administration. The Secretary of the Treasury is hereby authorized and directed to take out and pay for shares having an aggregate par value equal to the amounts so called; and to enable the Secretary of the Treasury to pay for stock issued hereunder there is hereby authorized to be appropriated the sum of \$125,000,000 such stock to be nonvoting. Shares of stock issued pursuant to this paragraph shall be paid off at par and retired in the same manner as the original capital stock of said bank after said original stock outstanding, if any, has been paid off and retired: *Provided, however,* That stock issued pursuant to this paragraph may at any time, in the discretion of the directors and with the approval of the Farm Credit Administration, be paid off at par and retired in whole or in part; and that said Administration may at any time require such stock to be paid off at par and retired in whole or in part if in the opinion of the Administration the bank has resources available therefor. The proceeds of all repayments on account of stock issued pursuant to this paragraph shall be held in the Treasury of the United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this paragraph.]

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SEC. 7.

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It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this Act prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the by-laws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this Act, which shall cover prompt collection and transmission of funds. [He shall make a quarterly report to the Farm Credit Administration upon forms to be provided for that purpose.] *He shall make a report to the Farm Credit Administration as required by it upon forms to be provided for that purpose:* Upon request from said Administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said Administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office.

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SEC. 8.

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Every national farm loan association formed under this Act shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this

Act. [Such increases shall be included in the quarterly reports to the Farm Credit Administration.]

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SEC. 10.

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Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this Act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this Act, if otherwise qualified thereunder: *Provided*, That, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this Act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons.

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SEC. 12.

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Fourth. [Such loans may be made for the following purposes and for no other:

[(a) To provide for the purchase of land for agricultural uses.

[(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Farm Credit Administration.

[(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Farm Credit Administration.

[(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred at least two years prior to the date of the application for the loan.

[(e) To provide the owner of the land mortgaged with funds for general agricultural uses.]

Such loans may be made for general agricultural purposes and other requirements of the owner of the land mortgaged, under rules and regulations of the Farm Credit Administration.

Fifth. No such loan shall exceed 65 per centum of the normal value of the farm mortgaged, said value to be ascertained by appraisal, as provided in section 10 of this Act. In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor; and, consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm.

* * * * *

Sixth. No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term "person" includes an individual or a corporation engaged in [the raising of livestock] farming operations; and (2) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless

all the stock of the corporation is owned by individuals themselves personally actually engaged in [the raising of livestock] *farming operations* on the farm to be mortgaged as security for the loan, except in a case where the [Land Bank Commissioner] *Farm Credit Administration* permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for.

Seventh. The amount of loans to any one borrower shall in no case exceed a maximum of [\\$100,000] *\\$200,000*, but loans to any one borrower shall not exceed [\\$25,000] *\\$100,000* unless approved by the [Land Bank Commissioner] *Farm Credit Administration*, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under.

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SEC. 13.

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Nineteenth. To permit any borrower to defer payment of the principal portions of installments on his loan in order that he may pay, in whole or in part, any indebtedness which is secured by a lien junior to the lien of the bank upon the farmland mortgaged to secure his loan. *Such a deferment may be permitted for other purposes for a period not exceeding five years under regulations prescribed by the Farm Credit Administration.*

* * * * *

SEC. 23. [That every Federal land bank, and every joint stock land bank, shall semiannually carry to reserve account twenty-five per centum of its net earnings until said reserve account shall show a credit balance equal to twenty per centum of the outstanding capital stock of said land bank. Whenever said reserve shall have been impaired, said balance of twenty per centum shall be fully restored before any dividends are paid. After said reserve has reached the sum of twenty per centum of the outstanding capital stock, five per centum of the net earnings shall be annually added thereto. For the period of two years from the date when any default occurs in the payment of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account.

[After deducting the twenty-five per centum or the five per centum hereinbefore directed to be deducted for credit to reserve account, any Federal land bank or joint stock land bank may declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided*, That any dividend or dividends declared by any joint-stock land bank shall be subject to the approval of the Farm Credit Administration. The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Federal Farm Loan Board.

[Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. After deducting the 50 per centum or the 10 per centum herein directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Federal Farm Loan Board. In the case of Federal land banks the requirements of this paragraph shall be in lieu of the requirements of the first three sentences of the first paragraph of this section and in lieu of the requirements of the first sentence of the second paragraph of this section.]

Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually until said reserve account shall show a credit

balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid.

After deducting the 50 per centum or the 10 per centum hereinbefore directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration.

The reserves of land banks shall be invested in accordance with rules and regulations prescribed by the Farm Credit Administration.

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SEC. 24. Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration.

ACT OF SEPTEMBER 21, 1944

AN ACT To provide for the control and eradication of certain animal and plant pests and diseases, to facilitate cooperation with the States in fire control, to provide for the more efficient protection and management of the national forests, to facilitate the carrying out of agricultural conservation and related agricultural programs, to facilitate the operation of the Farm Credit Administration and the Rural Electrification Administration, to aid in the orderly marketing of agricultural commodities, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

* * * * *

SEC. 601. (a) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate for the ensuing fiscal year the cost of examinations of the [joint-stock land banks,] Federal land banks, national farm-loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations; shall apportion the amount so determined among the [joint-stock land banks,] Federal land banks, national farm loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations on such equitable basis as said Administration shall determine; and shall assess against and collect in advance the amount so apportioned from the banks, corporations, and other organizations among which the apportionment is made, *except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration.*

ACT OF AUGUST 19, 1937

AN ACT To amend the Federal Farm Loan Act, to amend the Emergency Farm Mortgage Act of 1933, to amend the Farm Credit Act of 1933, to amend the Federal Farm Mortgage Corporation Act, to amend the Agricultural Marketing Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1937".

* * * * *

SEC. 5.

* * * * *

(b) There shall be in each farm credit district a farm credit board which shall be selected as hereinafter specified and shall be composed of seven members. Each farm credit board shall include in its title the name of the city in which the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives of the district are located. Three of the seven members of said board shall be known as elected directors, of whom one shall be chosen by national farm loan associations, one shall be chosen by production

credit associations of the district, and one shall be chosen by cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives in the district. Subject to the other provisions hereof, three of the seven members shall be known as district directors and shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board. The seventh member of such board shall be known as director-at-large and shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board. [No person shall be eligible hereafter for nomination or appointment to membership as an appointed member on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration.] *After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration.* Each farm credit board shall elect from its members a chairman and vice chairman, and shall appoint a secretary from within or without its membership as it may see fit. The chairman, vice chairman, and secretary shall each be elected for a term of one year and until their successors are elected and take office and the board shall elect such officers each year. The chairman shall preside at all meetings and the vice chairman shall preside in the absence or disability of the chairman. The board may, in the absence of both the chairman and vice chairman, elect a member to act as chairman pro tempore.

* * * * * *

(d)

* * * * * *

(2) Notwithstanding the above provision with respect to the appointment of district directors, one additional member of said board shall be elected by each of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district), and serve in lieu of a district director, under the following circumstances and conditions:

(A) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by national farm loan associations, surplus and reserves of a Federal land bank shall equal or exceed 66⅔ per centum of the total of the capital stock, surplus, and reserves of such bank as of the date [three months] *six months* before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the national farm loan associations of the district in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date [three months] *six months* before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further*, That such national farm loan associations shall again and from time to time elect one additional director as aforesaid if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

(B) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by persons other than the production credit corporation of the district, surplus, and reserves of the production credit associations (collectively) of a farm credit district shall equal or exceed 66⅔ per centum of the total of the capital stock, surplus, and reserves of the production credit associations (collectively) of said district as of the date [three months] *six months* before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the production credit associations of the district in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from

term to term while such conditions obtain: *Provided*, That, if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date [three months] *six months* before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further*, That such production credit associations shall again and from time to time elect one additional director as aforesaid, if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

(C) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund held by cooperatives which are stockholders or subscribers to the guaranty fund of a regional bank for cooperatives, surplus and reserves of said bank shall equal or exceed 66⅔ per centum of the total capital stock, subscriptions to the guaranty fund, surplus and reserves of said bank as of the date [three months] *six months* before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the cooperatives which are stockholders or subscribers to the guaranty fund of said bank in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date [three months] *six months* before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *Provided further*, That such cooperatives which are stockholders or subscribers to the guaranty fund of said bank shall again and from time to time elect one additional director as aforesaid if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid: *Provided further*, That at no time and under no conditions shall there be in office less than one or more than two members of said board who are serving by election of any one of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district): *And provided further*, That if two or more of said groups shall, under the terms and provisions hereof, become qualified to elect an additional director pending the expiration of the term of office of the district director (or third district director) whose term next expires, preference shall be given, first to national farm loan associations and borrowers through agencies, next to production credit associations, and next to cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives, to elect an additional director as herein provided as the terms of office of district directors, including the third district director if he be still in office, expire.

(3) In any district which includes more than one State no person shall be eligible to be elected by any group if he is a resident of the same State as the other member elected by such group and then serving. If two directors are to be elected at the same election in any such district by any group, the election of the director to be elected by such group under section 5 (b) shall be first determined, and the person receiving the most votes for election under section 5 (d) (2) who is not a resident of the same State as the director elected under section 5 (b) shall be declared elected.

(4) As directed by the Farm Credit Administration, the election of a director under section 5 (d) (2) by any group may be begun any time within six months before the expiration of the term of office to which the director is to succeed, subject to the required determination being made as of the date six months before the expiration of such term of office that a director so elected by such group is to serve in lieu of a district director (or third district director).

Calendar No. 1216

84TH CONGRESS
1ST SESSION

H. R. 5168

[Report No. 1201]

IN THE SENATE OF THE UNITED STATES

JULY 13, 1955

Read twice and referred to the Committee on Agriculture and Forestry

JULY 28, 1955

Reported by Mr. HOLLAND, with an amendment

[Insert the part printed in italic]

AN ACT

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1955".

5 TITLE I—BANKS FOR COOPERATIVES

6 SEC. 101. Section 42 of the Farm Credit Act of 1933,
7 as amended, is amended to read as follows:

1 “SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP;
2 VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF
3 STOCK.—Except as provided in section 111 of the Farm
4 Credit Act of 1955, each regional bank for cooperatives shall
5 have the following classes of stock, all of which shall have a
6 par value of \$100 per share:

7 “(1) Class A stock shall be issued to and held by the
8 Governor of the Farm Credit Administration on behalf of
9 the United States, and stock of such banks held by the
10 Governor on the effective date of title I of the Farm Credit
11 Act of 1955 shall be exchanged, share for share, for class
12 A stock of the respective banks. Class A stock shall be non-
13 voting and no dividends shall be paid thereon. At the end
14 of each fiscal year, each of such banks, subject to the pro-
15 visions of sections 33 and 40, shall determine the amount
16 of class A stock that shall be retired at par by that bank.
17 The minimum amount of class A stock that shall be retired
18 shall be the equivalent in dollar value of the amount of
19 class C stock issued for that year, except that class C stock
20 issued by a regional bank on account of class C stock issued
21 to it by the central bank, class C stock issued by a regional
22 bank in exchange for class B stock the proceeds of which
23 were used to retire an equivalent amount of class A stock,
24 and class C stock issued by a regional bank in exchange

1 for capital stock of the bank outstanding on the effective
2 date of title I of the Farm Credit Act of 1955, shall not
3 be included in such bank's calculation. Any amount of
4 class A stock retired in excess of such minimum amount in
5 one year may be used to reduce to that extent the amount
6 of such stock required to be retired in any subsequent year.
7 Funds from the retirement of class A stock shall be paid
8 into the revolving fund authorized by the Agricultural Mar-
9 keting Act, as amended, and shall continue to be available
10 for the purchase of class A stock in the banks in accordance
11 with sections 33 and 40.

12 “ (2) Class B stock may be issued in series and amounts
13 approved by the Farm Credit Administration, and may be
14 sold or transferred to any person subject to the approval
15 of the issuing bank. Such stock shall be issued only at par
16 and shall be nonvoting. Any bank may pay dividends of
17 not to exceed 4 per centum per annum on class B stock
18 if declared by the board of directors and approved by the
19 Farm Credit Administration and if the surplus account of
20 the bank, after payment of such dividends, will not be less
21 than 25 per centum of the sum of all its outstanding capital
22 stock. Dividends on class B stock shall not be cumulative,
23 but no bank shall distribute in any year any of its net
24 savings as patronage refunds as provided in section 36 (a)

1 unless for that year a dividend of at least 2 per centum
2 is declared and paid upon outstanding class B stock of the
3 bank. Each series of class B stock shall be issued only
4 with the approval of the Farm Credit Administration and
5 shall carry on the face of each certificate a statement of
6 the maximum dividend which may be declared and paid
7 thereon and of the minimum dividend which shall be de-
8 clared and paid thereon before the bank may distribute
9 any of its net savings as patronage refunds: *Provided,*
10 That such maximum and minimum dividends may be the
11 same amount. After all class A stock has been retired,
12 class B stock may be called for retirement at par with the
13 approval of the Farm Credit Administration and shall be
14 called in such manner that the oldest outstanding stock at
15 any given time will be retired first. Any holder of class
16 B stock whose stock has been called for retirement may
17 elect, with the approval of the issuing bank, to leave his
18 stock in the bank subject to its being included in the next
19 call for retirement.

20 “(3) Class C stock, except as approved by the Farm
21 Credit Administration and consented to by the issuing bank,
22 may be issued only to banks for cooperatives and farmers’
23 cooperative associations as defined in section 15 (a) of the
24 Agricultural Marketing Act, as amended. Such stock may

1 be issued in fractional shares, shall be issued at its fair book
2 value not exceeding par, as determined by the bank, and no
3 dividends shall be paid on it. Each holder of one or more
4 shares of class C stock which is eligible to borrow from a
5 bank for cooperatives shall be entitled to one vote only:
6 *Provided*, That any such holder which within the period of
7 two years next preceding a date, fixed by the Farm Credit
8 Administration, prior to commencement of the voting has not
9 been a borrower from a bank of which it holds class C stock
10 shall not be entitled to vote. From time to time each bank
11 for cooperatives shall obtain information concerning its class
12 C stockholders to determine whether they continue to be
13 eligible to borrow from the bank and to vote. Any class C
14 stockholder found by the bank to be ineligible to borrow
15 shall not be entitled to vote until its eligibility is reestab-
16 lished to the satisfaction of the bank. Whenever in section
17 5 of the Farm Credit Act of 1937, as amended, and section 4
18 (a) of the Farm Credit Act of 1953, provision is made for a
19 nomination or election by cooperatives which are stock-
20 holders or subscribers to the guaranty fund of any bank for
21 cooperatives the term 'cooperatives which are stockholders
22 or subscribers to the guaranty fund' or the equivalent of that
23 term, shall mean such cooperatives which are eligible to vote.
24 Each borrower from a bank for cooperatives shall be required

1 to own at the time the loan is made at least one share of
2 class C stock. The purchase price of such stock may be
3 retained out of the loan. In addition, each borrower as
4 defined by the Farm Credit Administration for purposes of
5 this sentence, shall be required to invest quarterly in class
6 C stock an amount equal to not less than 10 nor more than
7 25 per centum, as prescribed by the board of directors of
8 the bank with the approval of the Farm Credit Administra-
9 tion, of the amount of interest payable by it to the bank
10 during the calendar quarter. Payments for such stock shall
11 be made quarterly or when the regular interest payments
12 of the borrower are payable, but the stock shall be issued
13 to the borrower as of the end of each fiscal year in the amount
14 of the payments for stock made by it during the year. Each
15 regional bank shall purchase at least one share of class C
16 stock of the central bank. In addition, the regional bank
17 shall be required to invest quarterly in class C stock of the
18 central bank an amount equal to not less than 10 nor more
19 than 25 per centum, as prescribed by the board of directors
20 of the central bank with the approval of the Farm Credit
21 Administration, of the amount of interest payable by the
22 regional bank to the central bank during the calendar quarter
23 by reason of any interest purchased by the central bank in
24 a loan made by the regional bank. Payments for such stock
25 shall be made to the central bank and the stock shall be

1 issued to the regional bank in the same manner, insofar as
2 practicable, as is provided in this section for payments for
3 and issuance of stock on account of loans by the regional
4 bank in which the central bank does not purchase any
5 interest. Subject to rules prescribed by the board of directors
6 of the lending bank with the approval of the Farm Credit
7 Administration a borrower may convert class B stock into
8 class C stock for the purpose of making the investment in
9 class C stock required by this paragraph. After retirement
10 of all class A stock, class C stock also may be retired at par
11 by calling the oldest outstanding class C stock, but class C
12 stock that was issued for a fiscal year period shall not be
13 called for retirement until all class B stock that was issued
14 during or prior to that fiscal year has been called for
15 retirement.

16 “(b) GUARANTY FUND SUBSCRIPTIONS IN LIEU OF
17 STOCK.—If a cooperative association is not authorized under
18 the laws of the State in which it is organized to take stock
19 in the bank, the bank shall, in lieu thereof, require the asso-
20 ciation to pay into or have on deposit in a guaranty fund of
21 the bank, or the bank may retain out of the amount of the
22 loan and credit to the guaranty fund, a sum equal to the
23 amount of class C stock which the association would other-
24 wise be required by subsection (a) (3) of this section to
25 own at the time the loan is made and to purchase thereafter.

1 Any such association may make additional payments into
2 the guaranty fund from time to time in lieu of the purchase
3 of class B stock, and shall receive credits to such fund in
4 lieu of patronage refunds payable in class C stock. Each
5 reference in this Act to capital stock or class B or class C
6 stock shall include also the guaranty fund equivalents of
7 such stock, and, to the extent permitted under the laws of
8 a State in which a cooperative association is organized, a
9 holder of guaranty fund equivalents of either class B or class
10 C stock shall have the same rights and status as a holder of
11 class B or class C stock, respectively. The rights and obliga-
12 tions of the bank as respects such guaranty fund equivalents
13 shall be identical to its rights and obligations as respects class
14 B or class C stock, respectively.

15 “(c) LIEN ON STOCK.—Except as hereinafter provided
16 in the case of an association which is a direct borrower from
17 the central bank, each bank for cooperatives shall have a first
18 lien on all stock in the bank owned by each cooperative as-
19 sociation as additional collateral for any indebtedness of such
20 association to the bank. In the case of an association which
21 is a direct borrower from the central bank, the central bank
22 shall have a first lien on any amount of class C stock which
23 the borrowing association owns in any regional bank on ac-
24 count of direct loans of such association from the central
25 bank; and the regional bank shall have a lien on such stock

1 junior only to the lien of the central bank. In any case
 2 where the debt of a borrower is in default, the bank may, in
 3 accordance with regulations of the Farm Credit Administra-
 4 tion, retire and cancel all or a part of the stock of the de-
 5 faulting borrower at the fair book value thereof, not exceed-
 6 ing par, in total or partial liquidation of the debt, as the case
 7 may be, and, to the extent required, corresponding shares
 8 held by a regional bank in the central bank shall be retired.

9 “(d) CALCULATION OF PROPORTIONATE INTERESTS IN
 10 BANKS.—For the purpose of determining pursuant to section
 11 5 (d) (2) (C) of the Farm Credit Act of 1937, as
 12 amended, the amount of the capital stock and subscriptions
 13 to the guaranty fund of a regional bank for cooperatives held
 14 by cooperatives the term ‘capital stock and subscriptions to
 15 the guaranty fund held by cooperatives’ or the equivalent of
 16 that term shall also mean all outstanding class B and class C
 17 stock and the guaranty fund equivalents thereof.”

18 SEC. 102. Section 35 of the Farm Credit Act of 1933,
 19 as amended, is amended to read as follows:

20 “SEC. 35. APPLICATION OF REGIONAL BANK STOCK
 21 PROVISIONS TO CENTRAL BANK.—All provisions of law
 22 with respect to class A, class B, and class C stock in the
 23 regional banks for cooperatives shall apply to the Central
 24 Bank for Cooperatives except as they may be inconsistent

1 with the provisions of this section. Each borrower from the
2 central bank shall be required to own at the time the loan is
3 made at least one share of class C stock in such regional
4 bank as the Farm Credit Administration shall designate and
5 shall be required to invest quarterly in class C stock in such
6 regional bank or banks as the Farm Credit Administration
7 shall designate an amount equal to not less than 10 nor more
8 than 25 per centum, as prescribed by the board of directors
9 of the central bank with the approval of the Farm Credit
10 Administration, of the amount of interest payable by such
11 borrower to the central bank during the calendar quarter.
12 Payments for such stock shall be made quarterly or when
13 the regular interest payments of such borrower are payable;
14 but the stock shall be issued to the borrower as of the end
15 of each fiscal year in the amount of the payments for stock
16 made by it during such year. The regional bank whose
17 stock is so issued to such borrower shall purchase a corre-
18 sponding amount of class C stock in the central bank.”

19 SEC. 103. (a) Section 36 of the Farm Credit Act of
20 1933, as amended, is amended to read as follows:

21 “SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank
22 for cooperatives, at the end of each fiscal year, shall deter-
23 mine the amount of its net savings after paying or provid-
24 ing for all operating expenses (including reasonable valua-
25 tion reserves and losses in excess of any such applicable

1 reserves) and shall apply such savings as follows: (1) To
2 the restoration of the amount of the impairment, if any, of
3 capital stock, as determined by its board of directors; (2)
4 25 per centum of any remaining savings shall be used to
5 create and maintain a surplus account; (3) if said bank shall
6 have outstanding capital stock held by the United States
7 during the whole or any part of the fiscal year, it shall next
8 pay to the United States as a franchise tax, a sum equal to
9 25 per centum of its net savings then remaining, not exceed-
10 ing, however, a rate of return on such Government capital
11 calculated at a rate equal to the computed average annual
12 rate of interest on all public issues of public debt obligations
13 of the United States issued during the fiscal year ending
14 next before such tax is due, as certified to the Farm Credit
15 Administration by the Secretary of the Treasury; (4) reason-
16 able contingency reserves may be established; (5) dividends
17 on class B stock may be declared as provided in section 42
18 (a) (2); and (6) any remaining net savings shall be dis-
19 tributed as patronage refunds as provided in subsection (b)
20 of this section: *Provided*, That any patronage refunds re-
21 ceived by a regional bank from the central bank shall be
22 excluded from net savings of the regional bank for the pur-
23 pose of computing such franchise tax. Amounts applied as
24 provided in (2) and (4) above after the effective date of
25 title I of the Farm Credit Act of 1955 shall be allocated on

1 a patronage basis approved by the Farm Credit Adminis-
2 tration. At the end of any fiscal year, any portion of the
3 reserve established under (4) above which is no longer
4 deemed necessary shall be transferred to the surplus account
5 and, if the surplus account of any such bank for cooperatives
6 exceeds 25 per centum of the sum of all its outstanding cap-
7 ital stock, the bank may distribute in the same manner as a
8 patronage refund any part or all of such excess which has
9 been allocated: *Provided, That any surplus and contingency*
10 *reserves shown on the books of the banks as of the effective*
11 *date of title I of the Farm Credit Act of 1955 shall not be*
12 *distributed as patronage refunds.* In making such distribu-
13 tions, the oldest outstanding allocations shall be distributed
14 first. Wherever used in this Act, the words 'surplus account' as
15 applied to any bank for cooperatives shall mean any surpluses
16 and contingency reserves shown on the books of the banks as
17 of the effective date of title I of the Farm Credit Act of
18 1955 and any amounts applied as provided in (2) above
19 after the effective date of said title I. Said surplus account
20 shall be divided to show the amounts thereof subject to allo-
21 cation as provided in this section and may be further sub-
22 divided as prescribed by the Farm Credit Administration.
23 In the event of a net loss in any fiscal year after providing for
24 all operating expenses (including reasonable valuation re-
25 serves and losses in excess of any such applicable reserves),
26 such loss shall be absorbed by: first, charges to allocated

1 contingency reserves; second, charges to allocated surplus;
2 third, charges to other contingency reserves and surplus;
3 fourth, the impairment of class C stock; and fifth, the im-
4 pairment of all other stock.

5 “(b) PATRONAGE REFUNDS.—The patronage refunds
6 of each regional bank for cooperatives shall be paid in
7 class C stock to borrowers, as defined by the Farm Credit
8 Administration for the purposes of this subsection, during
9 the fiscal year for which the refunds are declared. Patron-
10 age refunds of the Central Bank for Cooperatives shall be
11 paid in class C stock to the regional banks for cooperatives
12 upon the basis of interests held by the central bank in loans
13 made by the regional banks and upon direct loans made
14 by the central bank to cooperative associations; and any
15 part of such refunds derived from such direct loans of the
16 central bank shall be paid in class C stock issued to the
17 regional bank or banks which issued to the borrower the
18 stock incident to the loans, or to a regional bank or banks
19 designated by the Farm Credit Administration, and such
20 bank or banks shall issue a like amount of class C stock to
21 the borrowers. All patronage refunds shall be paid in the
22 proportion that the amount of interest earned on the loans
23 of each borrower bears to the total interest earned on the
24 loans of all borrowers during the fiscal year.

25 “(c) APPLICATION OF ASSETS ON LIQUIDATION OR
26 DISSOLUTION.—In the case of liquidation or dissolution of

1 any bank for cooperatives, after the payment or retirement,
2 as the case may be, first, of all liabilities; second, of all capital
3 stock issued before the effective date of title I of the Farm
4 Credit Act of 1955 held by cooperative associations at par,
5 all class A stock at par, and all class B stock at par; and
6 third, of all class C stock at par; any surpluses and con-
7 tingency reserves existing on the effective date of said title
8 I shall be paid to the holders of outstanding capital stock
9 issued before the effective date of said title I, class A stock
10 and class C stock pro rata, and any remaining surplus and
11 contingency reserves shall be distributed to those entities to
12 which they are allocated on the books of the bank. If it
13 should become necessary to use any surplus or contingency
14 reserves to pay any liabilities or to retire any capital stock,
15 allocated contingency reserves and surplus shall be exhausted
16 first in accordance with rules prescribed by the Farm Credit
17 Administration.”

18 (b) For purposes of applying the amendment in sub-
19 section (a) of this section, that part of fiscal year 1956
20 preceding the effective date of title I of this Act and that
21 part of such year following said effective date shall be
22 deemed to be separate fiscal years.

23 SEC. 104. Section 31 of the Farm Credit Act of 1933
24 is amended to read as follows:

25 “SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—
26 The Central Bank for Cooperatives shall have seven directors.

1 Of this number four shall be appointed by the Governor of
2 the Farm Credit Administration, by and with the advice and
3 consent of the Federal Farm Credit Board, and three shall
4 be elected by the regional banks for cooperatives and coop-
5 erative associations: *Provided*, That the terms of office of
6 directors established prior to the effective date of title I of
7 the Farm Credit Act of 1955 shall continue through the
8 thirty-first day of December next following the effective date
9 of said title I and shall expire at the end of that day. Three
10 of the directors appointed by the Farm Credit Administration
11 shall be appointed for terms of one year, two years, and three
12 years, respectively, as designated at the time of appointment
13 and the fourth appointed director shall be appointed for a
14 term of three years and thereafter each appointed director
15 shall be appointed for a term of three years. Any appointed
16 director may be removed at pleasure at any time by the Farm
17 Credit Administration. The Farm Credit Administration
18 shall prescribe rules and regulations for the nominations and
19 elections required by this section. Sufficiently in advance of
20 the first day of January next following the effective date of
21 title I of the Farm Credit Act of 1955, and at any time
22 subsequent to the enactment thereof, the Farm Credit Ad-
23 ministration shall take all action necessary in order to permit
24 the elections hereby provided and shall group the several
25 farm credit districts into three areas, each of which shall be

1 comprised of four contiguous farm credit districts, and a
2 director shall be elected from nominees from each of such
3 areas by regional banks for cooperatives of the area and
4 cooperative associations of the area eligible to vote. The
5 three elected directors shall be elected for terms of one year,
6 two years, and three years, respectively, as shall be desig-
7 nated by the Farm Credit Administration and thereafter
8 elected directors shall be elected for terms of three years:
9 *Provided*, That whenever, as determined by the Farm Credit
10 Administration, the sum of the capital stock and subscriptions
11 to the guaranty fund of the central bank held by persons
12 other than the Governor of the Farm Credit Administration
13 on behalf of the United States and surplus and reserve
14 accounts of said bank shall equal or exceed $66\frac{2}{3}$ per centum
15 of the total capital stock, subscriptions to the guaranty fund
16 and surplus and reserve accounts of said bank as of the date
17 six months before the expiration of the term of office of
18 any appointed director, except the fourth appointed director,
19 whose term next expires, the successor to such director shall
20 be elected from nominees for a term of three years by re-
21 gional banks for cooperatives of the area and cooperative as-
22 sociations of the area eligible to vote on a basis of areas com-
23 prised of two contiguous farm credit districts as designated by
24 the Farm Credit Administration. Appointed directors except
25 the fourth appointed director shall continue to be replaced

1 by elected directors in accordance with the foregoing provi-
2 sions until the total number of elected directors shall be
3 six, elected one from each of six such areas comprised of
4 two contiguous farm credit districts. Whenever, as deter-
5 mined by the Farm Credit Administration, the sum
6 of the capital stock and subscriptions to the guaranty
7 fund of the central bank held by persons other than
8 the Governor of the Farm Credit Administration on be-
9 half of the United States and surplus and reserve
10 accounts of said bank shall not equal or exceed $66\frac{2}{3}$
11 per centum of the total capital stock, subscriptions to the
12 guaranty fund and surplus and reserve accounts of the
13 banks as of the date six months before the expiration
14 of the term of office of any elected director whose term next
15 expires, the successor to such elected director shall, if the
16 number of elected directors then exceeds three, be appointed
17 by the Governor of the Farm Credit Administration by and
18 with the advice and consent of the Federal Farm Credit
19 Board for a term of three years. In any such case where
20 only one additional appointed director is needed in order to
21 increase the total number of appointed directors to four,
22 and the terms of office of more than one elected director
23 next expire, the Farm Credit Administration shall designate
24 the one of such next expiring terms of office which shall

1 be replaced by the additional appointed director. Any
2 vacancy in the Board whether filled by appointment or by
3 election shall be filled for the unexpired term in the same
4 manner in which the vacant office was filled. Each regional
5 bank for cooperatives, each cooperative association which is
6 a direct borrower from the central bank, each holder of one
7 or more shares of class C stock in a regional bank for
8 cooperatives which is eligible to vote under section 42 (a)
9 (3), and each holder of one or more shares of stock in the
10 central bank or any regional bank for cooperatives issued
11 before the effective date of title I of the Farm Credit Act
12 of 1955 which is eligible to vote shall be eligible to vote
13 for directors of the central bank and each such holder shall
14 be entitled to one vote only without regard to the number
15 of shares held in any one or more of said banks, and the
16 vote of any such holder of stock in more than one bank
17 shall be cast only with respect to elections in the area in
18 which is located the main office of such holder. Elected
19 directors shall have been, for at least two years, residents
20 of the area for which they are elected. No person shall be
21 eligible for nomination, election, or appointment as a director
22 if such person has within one year next preceding the com-
23 mencement of the term been a salaried officer or employee
24 of the Farm Credit Administration or of any corporation
25 operating under its supervision. Any person who is a mem-

1 ber of the Federal Farm Credit Board or a district farm
2 credit board when appointed or elected as director shall
3 resign as a member of the Federal Farm Credit Board or the
4 district board before assuming his duties as director of the
5 central bank. No person who becomes such director shall
6 be eligible to continue to serve if he becomes a member
7 of the Federal Farm Credit Board or any district farm credit
8 board or an officer or employee of the Farm Credit Admin-
9 istration or an officer or employee of any corporation
10 operating under the supervision of the Farm Credit
11 Administration."

12 SEC. 105. Section 32 of the Farm Credit Act of 1933
13 is amended to read as follows:

14 "SEC. 32. POWERS OF BOARD OF DIRECTORS OF CEN-
15 TRAL BANK.—The Board of Directors of the Central Bank
16 for Cooperatives shall elect a Chairman and Vice Chairman
17 from among its members. The powers of the Board of
18 Directors shall be such powers as may be prescribed in the
19 charter and bylaws with the approval of the Farm Credit
20 Administration: *Provided*, That said Board without limita-
21 tion of powers conferred by section 60 shall have power,
22 subject to approval of the Farm Credit Administration, to
23 appoint and fix the compensation of the chief executive offi-
24 cer and such other officers and employees, experts, and con-
25 sultants as may be necessary for the efficient conduct of the

1 bank's business: *Provided further*, That the chief executive
2 officer of the bank shall not be an officer or employee of
3 the Farm Credit Administration."

4 SEC. 106. Section 38 of the Farm Credit Act of 1933
5 is amended by adding at the end of said section the following
6 new sentence: "After the effective date of title I of the
7 Farm Credit Act of 1955 any amendment in the terms of the
8 charter issued to any bank for cooperatives and any regu-
9 lation issued under authority of this section or otherwise
10 affecting lending operations of any such bank shall be con-
11 sistent with the principle that the central bank shall make
12 loans only in cases where it is not practicable for the loan
13 to be made by a regional bank."

14 SEC. 107. Section 41 of the Farm Credit Act of 1933,
15 as amended, is amended by adding a new paragraph as
16 follows:

17 "Notwithstanding any other provision of law, any
18 officer or employee of the Farm Credit Administration or of
19 any bank for cooperatives designated to act as custodian
20 of collateral securing loans made by any such bank to any
21 cooperative association eligible to borrow therefrom may, in
22 accordance with regulations of the Farm Credit Administra-
23 tion, act at the same time as custodian of collateral securing
24 loans made by any other lenders to any cooperative associa-
25 tion eligible to borrow from any such bank."

1 SEC. 108. (a) Section 33 of the Farm Credit Act of
2 1933 is amended by striking the words "Chairman of the
3 Board" in the last sentence of said section and substituting
4 in lieu thereof the words "Board of Directors".

5 (b) Section 34 of the Farm Credit Act of 1933, as
6 amended, is amended by striking the words "Chairman of its
7 Board of Directors" in the first paragraph of said section and
8 substituting in lieu thereof the words "Farm Credit
9 Administration".

10 SEC. 109. Subsection (a) of section 8 of the Agricul-
11 tural Marketing Act, as amended, is amended to read as
12 follows:

13 "(a) Loans to cooperative associations made by any
14 bank for cooperatives shall bear such rates of interest as
15 the board of directors of the bank shall from time to time de-
16 termine with the approval of the Farm Credit Administra-
17 tion, but in no case shall the rate of interest exceed 6 per
18 centum per annum on the unpaid principal of a loan."

19 SEC. 110. (a) Section 65 of the Farm Credit Act of
20 1933 is amended by striking the word "regional" in the first
21 sentence of said section.

22 (b) Section 66 of the Farm Credit Act of 1933, as
23 amended, is hereby repealed.

1 (c) The second sentence of section 7 (a) of the Farm
2 Credit Act of 1953 is hereby repealed.

3 (d) Section 6 of the Act approved January 23, 1932
4 (47 Stat. 14), is amended by adding immediately following
5 the comma after the word "Act" where it first appears the
6 following: "the Farm Credit Act of 1933".

7 SEC. 111. This title shall be applicable to loans made
8 before its effective date from the date on which they may
9 be changed by agreement to conform hereto, otherwise, ex-
10 cept as provided in this title, such loans shall be treated as
11 though this title had not been enacted. Any cooperative
12 association owning capital stock or guaranty fund credits
13 in any bank for cooperatives issued before the effective date
14 of this title which is eligible to vote shall, as long as such
15 eligibility continues, be entitled to vote to the same extent
16 as a holder of class C stock which is eligible to vote; any
17 cooperative association owning such stock or guaranty fund
18 credits shall be entitled to have such stock or credits retired
19 as though this title had not been enacted; and any such
20 association may with the consent of the bank have such stock
21 or credits, if it is found eligible to own class B or class C
22 stock, converted in whole or in part into class B or class C
23 stock or equivalent guaranty fund credits: *Provided*, That
24 any bank for cooperatives with the approval of the Farm
25 Credit Administration may retire at any time capital stock

1 or guaranty fund credits issued before the effective date of
2 this title held by any cooperative association and may hold
3 the proceeds of such retired stock or guaranty fund credits as
4 security for any indebtedness of the association to the bank.

5 SEC. 112. This title shall take effect on the first day of
6 the month next following one hundred and twenty days after
7 its enactment.

8 TITLE II—PRODUCTION CREDIT SYSTEM

9 SEC. 201. Section 21 of the Farm Credit Act of
10 1933 is amended by striking out of the fifth sentence the
11 words “all stock shall share in dividend distributions without
12 preference” and substituting therefor the words “Dividends
13 may be paid on class A and class B stock without preference
14 or on class A stock alone, as the board of directors of the
15 association may determine”.

16 SEC. 202. Section 22 of the Farm Credit Act of 1933
17 is amended to read as follows:

18 “SEC. 22. (a) Each production credit association shall,
19 at the end of each fiscal year, apply the amount of its earn-
20 ings in excess of operating expenses (including provision for
21 reasonable valuation reserves) during such fiscal year, first,
22 to the restoration of the impairment, if any, of capital; and,
23 second, to the establishment and maintenance of a surplus
24 account, the minimum amount of which shall be prescribed
25 by the production credit corporation.

1 “(b) A production credit association may pay dividends
2 of not to exceed 7 per centum per annum when such pay-
3 ments are approved by the production credit corporation of
4 the district and are consistent with policies established under
5 regulations issued by the Farm Credit Administration.”

6 SEC. 203. The amounts in the guaranty fund reserve
7 and the reserve account for bad and doubtful debts of each
8 production credit association shall, as of the effective date of
9 this title, be transferred to the surplus account of such asso-
10 ciation established pursuant to the provisions of section 22
11 of the Farm Credit Act of 1933 as amended by section 202
12 of this title.

13 SEC. 204. Section 23 of the Farm Credit Act of 1933
14 is amended to read as follows:

15 “SEC. 23. Each production credit association shall, under
16 such rules and regulations as may be prescribed by the pro-
17 duction credit corporation of the district with the approval
18 of the Farm Credit Administration, invest its funds and make
19 loans to farmers for general agricultural purposes. Such
20 loans shall be made on such terms and conditions, at such
21 rates of interest, and with such security as may be prescribed
22 by the corporation. No borrower shall be indebted to the
23 association at any one time in an amount in excess of 15
24 per centum of the capital and surplus of the association un-
25 less the loan has the prior approval of the corporation, or in

1 excess of 35 per centum of the capital and surplus of the as-
2 sociation unless the loan also has the prior approval of the
3 Farm Credit Administration. Borrowers shall be required
4 to own, at the time the loan is made, class B stock of the
5 association in an amount equal in fair book value (not to
6 exceed par), as determined by the association, to \$5 per
7 \$100 or fraction thereof of the amount of the loan. Such
8 stock shall not be canceled or retired upon payment of the
9 loan but may be transferred or exchanged as provided in
10 section 21 of this Act.”

11 SEC. 205. The last sentence of section 63 of the
12 Farm Credit Act of 1933 is hereby amended to read as
13 follows: “The exemption provided herein shall not apply with
14 respect to any production credit association or its property or
15 income after the class A stock held in it by the production
16 credit corporation has been retired, or with respect to the
17 Central Bank for Cooperatives, or any production credit
18 corporation or bank for cooperatives, or its property or in-
19 come after the stock held in it by the United States has been
20 retired.”

21 TITLE III—FEDERAL LAND BANK SYSTEM

22 SEC. 301. Sections 3, 7, and 8 of the Federal Farm
23 Loan Act, as amended, are amended—

24 (a) by changing next to the last paragraph of
25 section 3 to read as follows: “The Farm Credit Admin-

1 istration shall prescribe a form for the statement of con-
2 dition of national farm loan associations and land banks
3 under its supervision, which shall be filled out by each
4 such association or bank and transmitted to said admin-
5 istration as required by it.”;

6 (b) by changing the fifth sentence of the fourth
7 paragraph of section 7 to read as follows: “He shall
8 make a report to the Farm Credit Administration as
9 required by it upon forms to be provided for that
10 purpose.”; and

11 (c) by deleting the last sentence of section 8.

12 SEC. 302. The last paragraph of section 5 of the Federal
13 Farm Loan Act, as amended, is repealed.

14 SEC. 303. Section 10 of the Federal Farm Loan Act,
15 as amended, is amended by adding at the end thereof a
16 new paragraph as follows:

17 “Notwithstanding any other provision of this Act to the
18 contrary, subject to the approval of the Farm Credit Admin-
19 istration, the investigation and the written report or reports
20 on the value of the security offered for a Federal land bank
21 loan, which otherwise are required by this section to be made
22 by land bank appraisers appointed under the authority of
23 section 3 of this Act, may be made, in accordance with
24 appraisal standards prescribed by the Farm Credit Adminis-
25 tration, by any person (including a person who is secretary-

1 treasurer of a national farm loan association) designated so
2 to do by the Federal land bank of the district; a Federal
3 land bank is authorized to make a loan, if otherwise author-
4 ized, on the basis of such an investigation and report by a
5 person so designated; and a loan so made shall be eligible
6 as collateral for farm loan bonds under section 19 of this
7 Act, if otherwise qualified thereunder: *Provided*, That,
8 within one year, the land bank shall obtain a written report
9 on the security for the loan by a land bank appraiser
10 appointed under section 3 of this Act, in terms and form
11 prescribed by the Farm Credit Administration, and such a
12 loan shall be eligible as collateral for farm loan bonds there-
13 after only if such report by a land bank appraiser establishes
14 that the security meets the standards prescribed by the Farm
15 Credit Administration for a land bank loan, and in no event
16 shall any such loan thereafter be carried as such collateral
17 for bonds at more than 65 per centum of the normal value
18 of the security as determined by such land bank appraiser.
19 Except as otherwise specifically provided in this paragraph,
20 all provisions of this Act relating to loans made through
21 national farm loan associations shall, insofar as applicable,
22 apply with respect to loans made on such investigations and
23 written reports by such designated persons.”

24 SEC. 304. Section 12 of the Federal Farm Loan Act,
25 as amended, is amended—

1 (a) by changing paragraph "Fourth" to read as
2 follows: "Such loans may be made for general agricul-
3 tural purposes and other requirements of the owner of
4 the land mortgaged, under rules and regulations of the
5 Farm Credit Administration.";

6 (b) by striking out the period at the end of the
7 second sentence of paragraph "Fifth" and adding the
8 following: "; and, consistent with community standards,
9 the appraisal may also reflect home advantages, and the
10 availability to a typical operator of the property of
11 earnings from other dependable sources to supplement
12 the normal earning power of the farm.";

13 (c) by striking out "the raising of livestock"
14 wherever it appears in next to the last sentence of para-
15 graph "Sixth" and substituting therefor "farming opera-
16 tions" and by striking out of such sentence "Land Bank
17 Commissioner" and substituting therefor "Farm Credit
18 Administration"; and

19 (d) by striking out "\$100,000" from paragraph
20 "Seventh" and substituting therefor "\$200,000" and
21 by striking out of such sentence "but loans to any one
22 borrower shall not exceed \$25,000 unless approved by
23 the Land Bank Commissioner," and substituting "but
24 loans to any one borrower shall not exceed \$100,000
25 unless approved by the Farm Credit Administration,".

1 SEC. 305. Paragraph "Nineteenth" of section 13 of the
2 Federal Farm Loan Act, as amended, is amended by adding
3 at the end thereof a new sentence as follows: "Such a
4 deferment may be permitted for other purposes for a period
5 not exceeding five years under regulations prescribed by the
6 Farm Credit Administration."

7 SEC. 306. (a) That part of section 23 of the Federal
8 Farm Loan Act, as amended, which precedes the last
9 paragraph, is amended to read as follows: "Every Federal
10 land bank shall semiannually carry to reserve account a
11 sum not less than 50 per centum of its net earnings until
12 said reserve account shall show a credit balance equal to
13 the outstanding capital stock of said land bank. After said
14 reserve is equal to the outstanding capital stock 10 per
15 centum of the net earnings shall be added thereto semi-
16 annually until said reserve account shall show a credit bal-
17 ance equal to 150 per centum of the outstanding capital stock
18 of said land bank, and any land bank having a credit balance
19 in said reserve account in excess of 150 per centum of
20 its outstanding capital stock may withdraw such excess
21 from said reserve account with the approval of the Farm
22 Credit Administration. Whenever said reserve shall have
23 been impaired it shall be fully restored before any dividends
24 are paid.

25 "After deducting the 50 per centum or the 10 per

1 centum hereinbefore directed to be deducted for credit to
2 reserve account, any Federal land bank may declare a
3 dividend or dividends to shareholders of the whole or any
4 part of the balance of its net earnings, but only with the
5 approval of the Farm Credit Administration.

6 “The reserves of land banks shall be invested in accord-
7 ance with rules and regulations prescribed by the Farm
8 Credit Administration.”

9 (b) The second sentence of section 24 of the Federal
10 Farm Loan Act, as amended, is amended by striking out the
11 period at the end thereof and adding the following: “until
12 said reserve account shall show a credit balance equal to 50
13 per centum of the outstanding capital stock of said associa-
14 tion, and any association having a credit balance in said re-
15 serve account in excess of 50 per centum of its outstanding
16 capital stock may withdraw such excess from said reserve
17 account with the approval of the Farm Credit Administra-
18 tion.”.

19 (c) The amendments made by (a) and (b) of this sec-
20 tion shall become effective on the next January 1, or July 1
21 whichever first succeeds enactment hereof.

22 SEC. 307. Section 601 (a) of the Department of Agri-
23 culture Organic Act of 1944 is amended by inserting after
24 “Federal land banks,” the second time it appears therein,
25 “national farm loan associations,”; by striking out “joint-

1 stock land banks,” wherever it appears therein; and by
2 striking out the period at the end thereof and inserting
3 “, except that the amounts apportioned to national farm
4 loan associations shall be assessed against and collected from
5 the Federal land bank of the district which may in turn col-
6 lect such amounts from the associations in a manner approved
7 by the Farm Credit Administration.”.

8 TITLE IV—MISCELLANEOUS PROVISIONS

9 SEC. 401. (a) Section 5 (b) of the Farm Credit Act of
10 1937, as amended, is amended by changing the sixth sentence
11 thereof to read as follows: “After the date of enactment of
12 the Farm Credit Act of 1955, no person shall be eligible for
13 election or appointment to membership on said Board if such
14 person has within one year next preceding the commence-
15 ment of the term been a salaried officer or employee of the
16 Farm Credit Administration, or a salaried officer or employee
17 of any corporation operating under the supervision of the
18 Farm Credit Administration.”.

19 (b) Section 5 (d) of the Farm Credit Act of 1937, as
20 amended, is amended—

21 (1) by substituting “six months” for “three months”
22 wherever it occurs in paragraph (2) thereof; and

23 (2) by adding at the end thereof a new paragraph
24 as follows:

25 “(4) As directed by the Farm Credit Administration,

1 the election of a director under section 5 (d) (2) by any
2 group may be begun any time within six months before
3 the expiration of the term of office to which the director
4 is to succeed, subject to the required determination being
5 made as of the date six months before the expiration of
6 such term of office that a director so elected by such group
7 is to serve in lieu of a district director (or third district
8 director).”

9 SEC. 402. Section 4 of the Farm Credit Act of 1953
10 is amended—

11 (a) by inserting in the first proviso in subsection
12 (a) “all persons so tied shall be considered designated
13 as nominees” in lieu of “the procedure prescribed therein
14 shall be followed again until the tie is broken”;

15 (b) by inserting before the period at the end of the
16 second sentence of subsection (b) “, except that one full
17 term of six years shall be considered to include an addi-
18 tional four months if the particular term is one which
19 was legally extended for an additional four months”;
20 and

21 (c) by adding the following additional sentence at
22 the end of subsection (c): “All terms of office which
23 otherwise would expire on November 30 of any year
24 following enactment of the Farm Credit Act of 1955 are
25 extended four months to expire on the following March

1 31 so that the term of office of all successors to the
2 terms so extended shall begin with the first day of
3 April.”.

4 SEC. 403. (1) If any provision of this Act, or the appli-
5 cation thereof to any person or circumstance, is held invalid,
6 the remainder of the Act, and the application of such pro-
7 visions to other persons or circumstances, shall not be affected
8 thereby.

9 (b) The right to alter, amend, or repeal this Act is
10 hereby expressly reserved.

Passed the House of Representatives July 12, 1955.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

JULY 13, 1955

Read twice and referred to the Committee on
Agriculture and Forestry

JULY 28, 1955

Reported with an amendment

13. FARM PROGRAM. Sen. Symington charged "political manipulation in the farm program in Missouri"; and Sen. Humphrey joined him in the statement (pp. 10519-29).
14. WATER POLLUTION. Sen. Duff urged water-pollution control as a means of conserving water (pp. 10529-30).
15. FARM CREDIT. H. R. 5168, the FCA bill, was made the unfinished business (p. 10546).

HOUSE - July 29

16. SUPPLEMENTAL APPROPRIATION BILL, 1956. Received the conference report on H. R. 7278 (pp. 10460-4). Attached to this Digest is a statement showing actions on the USDA items in this bill.
17. HOUSING. Passed, 396 to 3, S. 2126, the housing bill, with an amendment by Rep. Wolcott in the nature of a substitute (pp. 10444-43). The Wolcott amendment, which was agreed to by a vote of 217 to 188, does not include the provision for continuation of the farm housing program which has been authorized for administration by this Department. House and Senate conferees were appointed (pp. 10443, 10505).
18. SUGAR. Agreed to a resolution/provide for debate on H. R. 7030, to amend and extend the Sugar Act (pp. 10445-6).
19. DEFENSE PRODUCTION. Began debate on H. R. 7470, to amend and extend the Defense Production Act (pp. 10445-50).
20. FARM LABOR. Agreed to the conference report on H. R. 3822, which provides for a 3½ year extension (until June 30, 1959) of the Mexican farm-labor program, relieves employers of double liability for the cost of returning a worker to Mexico where the employer has paid once for such movement but the Mexican does not return and is later apprehended, and specifies that the Secretary of Labor is to obtain information on the availability of domestic workers, prevailing wage rates, and labor shortages in the area, then post publicly the number of workers to be imported (p. 10401). This bill will now be sent to the President.
21. SURPLUS COMMODITIES. Agreed to the conference report on H. R. 2851, to authorize the Secretary of Agriculture, until June 30, 1957, upon request of a State Governor, to distribute to the State wheat flour and corn meal owned by CCC using Sec. 32 funds limited to \$15 million a year (p. 10402). This bill will now be sent to the President.
22. PERSONNEL. House conferees were appointed on H. R. 4048, making recommendations to the States for legislation to permit and assist Federal personnel to vote (pp. 10444-5).
23. WATER RESOURCES. Agreed to the conference report on H. R. 3990, to authorize the Interior Department to investigate and report to Congress on projects for the conservation, development, and utilization of water resources of Alaska (pp. 10394-5). This bill will now be sent to the President.
24. PERSONNEL. Passed as reported H. R. 7618, to increase annuities of retired employees by 12% on the first \$1,500 and 8% thereafter up to \$4,000, with a gradual reduction in the increases until they end on Dec. 31, 1957 (pp. 10395-6).
25. WATER COMPACT. Passed as reported S. 2660, consenting to a compact among Ark.,

Tex.,

La., and Okla. regarding Red River basin waters (p. 10395).

The Public Works Committee reported with amendments H. R. 6256, consenting to a compact of Kans. and Okla. regarding Arkansas River Basin waters (H. Rept. 1592)(p. 10466).

26. RECLAMATION. House conferees were appointed on H. R. 5881, to provide for Federal cooperation in non-Federal reclamation projects, etc. (p. 10395). Senate conferees were appointed July 28.
Rep. Pfost spoke in favor of the Hells Canyon project (p. 10402).
Received from the Interior Department a report on the Ventura project, Calif. (H. Doc. 222); to Interior and Insular Affairs Committee (p. 10465).
The Interior and Insular Affairs Committee reported without amendment S. 180, to authorize the Washita River Basin project, Okla. (H. Rept. 1582)(p. 10466).
27. SURPLUS PROPERTY; CIVIL DEFENSE. Passed as reported H. R. 7227, to amend the Federal Property and Administrative Services Act of 1949 so as to authorize disposal of surplus property for civil defense purposes (pp. 10396-7).
28. PROPERTY; TAXATION. Passed without amendment H. R. 6182, to amend the Federal Property and Administrative Services Act so as to make temporary provision for payments in lieu of taxes with respect to certain real property transferred by RFC to other Government departments (pp. 10397-401).
29. FARM-CITY WEEK. Rep. Ashmore requested consideration of H. J. Res. 317, to provide for Farm-City Week, but Rep. King, Pa., objected (p. 10404).
30. PUBLIC LANDS; MINING. House and Senate conferees were appointed on H. R. 100, to permit the mining, development, and utilization of mineral resources of all public lands withdrawn or reserved for power development (pp. 10445, 10530).
31. REORGANIZATION; PAPERWORK. Rep. Holifield criticized the Hoover Commission procedure in connection with the study on paperwork (pp. 10457-9).
32. WILDLIFE CONSERVATION. The Merchant Marine and Fisheries Committee reported without amendment S. 756, to authorize the appropriation of accumulated receipts in the Federal-aid wildlife-restoration fund (H. Rept. 1756)(p. 10466).
33. LIBRARY SERVICES. The Education and Labor Committee reported without amendment H. R. 2840, to promote the further development of public library service in rural areas (H. Rept. 1587)(p. 10466).

ITEMS IN APPENDIX - July 29

34. SUGAR. Rep. Utt inserted the testimony of Oscar L. Chapman on the sugar bill (pp. A5612-14).
35. TOBACCO. Rep. Lankford inserted an editorial favoring purchase of Swiss products so as to enable the Swiss to purchase American tobacco (p. A5614).
36. PERSONNEL. Rep. Hoffman inserted a Saturday Evening Post article, "Loyalty Boards Can Err, but We Still Need Them"(p. A5622).
37. FARM PROGRAM. Sen. Humphrey inserted a Democratic Digest article charging "pledges and hedges" regarding the farm program by the administration (pp. A5624-5).

leges and Elections and there are certain aspects which we would like to call to your attention in order that there be no misunderstanding as to the position of the Justice Department.

On pages 13 and 14 of the report proposed amendments to section 610 of the United States Code are discussed. These amendments are set forth as section 304 in the original Senate bill 636, which is under consideration by your committee. The subcommittee recommends that section 304 be stricken which has the effect of eliminating the suggested amendments to section 610 of title 18. In connection with this recommendation the report of the subcommittee states:

"This provision of S. 636 was intended to clarify the present confused status of section 610 of title 18 of the United States Code. In view of the decision of the Supreme Court in *U. S. v. Congress of Industrial Organizations* (355 U. S. 106 (1948)), the present status of section 610 is not clear. However, the subcommittee was advised by the representative of the Department of Justice that section 304 of S. 636 would most probably further complicate this present status. Therefore, the subcommittee recommends that section 304 as it appears in S. 636 be stricken, and that section 305 of the bill be numbered section 304."

The Department of Justice representative who testified before the subcommittee was Warren Olney, III, Assistant Attorney General in charge of the Criminal Division. Certain portions of Mr. Olney's testimony might support the interpretation set forth above. However, when his testimony is read in its entirety we believe that the views of the Department of Justice are clearly ascertainable and were not meant to carry the meaning indicated in the subcommittee report. Mr. Olney pointed out the difficulty we have encountered with court interpretations of section 610, particularly as pertains to a possible conflict of that section with the first amendment. However, as his testimony indicates, the constitutional question has never been passed upon squarely, and the position of the Justice Department is that section 610 is constitutional and that in proper cases prosecution may be had under this section.

In order to clear up any possible misunderstanding I wish to set forth the position of the Department of Justice as it relates to the proposed amendments. The amendments to section 610 would definitely strengthen the position of the Government to prosecute persons and organizations who violate the election laws, but who have been able to take advantage of certain loopholes in existing law. Although the Department recognizes there are problems of constitutional law still unanswered, nevertheless, inclusion of the amendments to section 610 of title 18 would not complicate enforcement under the law.

The Department of Justice, therefore, takes the position that in consideration of this bill the amendments proposed to section 610 should be retained.

Sincerely,

HERBERT BROWNELL, Jr.,
Attorney General.

The letter reveals on its face several interesting facts. It clearly indicates that the position of the Justice Department, as expressed by Mr. Olney on May 10, differs from the position of the Justice Department as expressed by Mr. Brownell on June 23. For example, Mr. Brownell states that the position of the Justice Department is that section 610 is constitutional; Mr. Olney said the status of this section is "most obscure." Brownell says prosecution may be had under this section in proper cases; Mr. Olney said it was almost impossible, and certainly impractical, to prosecute under it at all. Brownell says adoption of the section would

not complicate enforcement under the law; Olney says it would.

I shall not speculate on the reason for the conflicting views of Mr. Olney and Mr. Brownell, although, naturally, I do have opinions on the subject. All that I wish to do at this moment is to indicate clearly, and the testimony which I have read from the hearings substantiates this, that the subcommittee deleted from the original bill the section which pertained to labor unions, banks, and corporations because of the testimony presented by Mr. Warren Olney III, testimony which the subcommittee necessarily had to accept as reflective of the views of the Department of Justice, since Mr. Olney was sent to us as the man in the best position to express such views.

I find this whole matter extremely disturbing. When a committee of the Senate calls upon an executive department for assistance and advice, it necessarily must assume that, in the absence of a prompt and timely statement to the contrary, the advice and assistance rendered by the representative of the department truly represents the views of the department. In this instance we did so accept such testimony, and I personally am distressed to now discover that the Attorney General of the United States is apparently attempting to rewrite testimony given before our subcommittee by a representative of the Justice Department and to torture and subvert Mr. Olney's conclusions and observations.

JULY 25, 1955.

The Honorable HERBERT BROWNELL, Jr.,
Attorney General of the United States,
Washington, D. C.

DEAR MR. ATTORNEY GENERAL: Senator GREEN, chairman of the Senate Committee on Rules and Administration, has forwarded to me a letter dated June 23, 1955, signed by you as Attorney General. This letter refers to the recent report of the Subcommittee on Privileges and Elections and states that there are certain aspects of this report which you wish to call to Senator GREEN's attention "in order that there be no misunderstanding as to the position of the Justice Department."

Your letter is directed to section 304 in the original bill, S. 636. The subcommittee recommended that this section be stricken from the bill. On June 15, 8 days before your letter was written, the bill was favorably reported to the Senate by the Committee on Rules and Administration with section 304 stricken. Your letter, therefore, arrived somewhat late.

You apparently question a portion of the subcommittee report which stated:

"This provision of S. 636 was intended to clarify the present confused status of section 610 of title 18 of the United States Code. In view of the decision of the Supreme Court in *U. S. v. Congress of Industrial Organizations* (355 U. S. 106 (1948)), the present status of section 610 is not clear. However, the subcommittee was advised by the representative of the Department of Justice that section 304 of S. 636 would most probably further complicate this present status. Therefore, the subcommittee recommends that section 304 as it appears in S. 636 be stricken, and that section 305 of the bill be renumbered section 304."

The representative of the Department of Justice mentioned in the report was, of course, Mr. Warren Olney III, who was sent to us by your department as the person "in the best position" to testify on the bill. Mr. Olney appeared before the subcommittee on May 10 and was a most helpful and intelligent witness. On the basis of Mr. Olney's testimony, the subcommittee believed that it was acting in accordance with the position of the Department of Justice when it recommended that section 304 be stricken from the bill. You appear to take a different attitude toward section 304.

After rereading Mr. Olney's testimony most carefully, I agree with your statement that "the views of the Department are clearly ascertainable." I believe that the subcommittee correctly interpreted those views as expressed by Mr. Olney on May 10. Since this is so, I would appreciate answers from you to the following questions:

1. You assert that in the view of the Department of Justice, section 610 of title 18 is constitutional; Mr. Olney said that the status of this section "is most obscure" (p. 211). Which of these two attitudes may I now accept as being representatives of the Justice Department?

2. You state that prosecution under section 610 may be had in proper cases; Mr. Olney asserted that prosecution under this section is "almost impossible, and certainly impractical" (p. 210). Which of these two attitudes may be considered accurate?

3. You assert that section 304 of the original bill would "definitely strengthen" the position of the Government to prosecute violators of the election laws; Mr. Olney asserted that enactment of section 304 might increase the difficulty of prosecution. Which position may we now regard as authoritative?

4. In view of the fact that Mr. Olney was referred to the subcommittee as the representative of the Department of Justice in "the best position" to testify on this bill, why is it that the position of the Department of Justice, as expressed by him on May 10, differs from the position of the Department of Justice as expressed by you on June 23?

5. A copy of the transcript of Mr. Olney's testimony was sent to your Department within a few days after he appeared before the subcommittee. Why did you wait for more than 6 weeks before you advised the Committee on Rules and Administration, in effect, that the statements of Mr. Olney evidently differed from your views concerning this matter?

I am sorry that this situation has arisen. I call to your attention the fact that I personally addressed three letters to you asking that you appear in person and aid the subcommittee. I did this because I was aware of the significant questions on which we needed advice and counsel from the Justice Department. Evidently, you were not inclined to appear for some reason or reasons of which I had no knowledge since you at no time communicated with me. We, of course, wanted your views, Mr. Attorney General, not the views of a subordinate which you now have chosen to interpret and clarify.

I trust that I will hear from you soon.

Sincerely yours,

THOMAS C. HENNINGS, Jr.,
United States Senator.

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., June 23, 1955.
Hon. THEODORE FRANCIS GREEN,
Chairman, Committee on Rules and Administration, United States Senate,
Washington, D. C.

DEAR SENATOR GREEN: We have reviewed the report of the Subcommittee on Privileges and Elections and there are certain aspects which we would like to call to your attention in order that there be no misunderstanding as to the position of the Justice Department.

On pages 13 and 14 of the report proposed amendments to section 610 of title 18 of the United States Code are discussed. These amendments are set forth as section 304 in the original Senate bill 636, which is under consideration by your committee. The subcommittee recommends that section 304 be stricken which has the effect of eliminating the suggested amendments to section 610 of title 18. In connection with this recommendation the report of the subcommittee states:

"This provision of S. 636 was intended to clarify the present confused status of section 610 of title 18 of the United States

Code. In view of the decision of the Supreme Court in *U. S. v. Congress of Industrial Organizations* (355 U. S. 106 (1948)), the present status of section 610 is not clear. However, the subcommittee was advised by the representative of the Department of Justice that section 304 of S. 636 would most probably further complicate this present status. Therefore, the subcommittee recommends that section 304 as it appears in S. 636 be stricken, and that section 305 of the bill be renumbered section 304."

The Department of Justice representative who testified before the subcommittee was Warren Olney III, Assistant Attorney General in charge of the Criminal Division. Certain portions of Mr. Olney's testimony might support the interpretation set forth above. However, when his testimony is read in its entirety we believe that the views of the Department are clearly ascertainable and were not meant to carry the meaning indicated in the subcommittee report. Mr. Olney pointed out the difficulty we have encountered with court interpretations of section 610, particularly as pertains to a possible conflict of that section with the first amendment. However, as his testimony indicates, the constitutional question has never been passed upon squarely, and the position of the Justice Department is that section 610 is constitutional and that in proper cases prosecution may be had under this section.

In order to clear up any possible misunderstanding I wish to set forth the position of the Department of Justice as it relates to the proposed amendments. The amendments to section 610 would definitely strengthen the position of the Government to prosecute persons and organizations who violate the election laws, but who have been able to take advantage of certain loopholes in existing law. Although the Department recognizes there are problems of constitutional law still unanswered, nevertheless, inclusion of the amendments to section 610 of title 18 would not complicate enforcement under the law.

The Department of Justice, therefore, takes the position that in consideration of this bill the amendments proposed to section 610 should be retained.

Sincerely,

HERBERT BROWNELL, Jr.,
Attorney General.

RETIREMENT OF GOVERNMENT CAPITAL IN CERTAIN INSTITUTIONS UNDER SUPERVISION OF THE FARM CREDIT ADMINISTRATION

Mr. CLEMENTS. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1216, H. R. 5168.

The PRESIDING OFFICER. The Secretary will state the bill by title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 5168) to provide for retirement of the government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Kentucky.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry with an amendment.

FAIR LABOR STANDARDS ACT OF 1938—CONFERENCE REPORT

Mr. DOUGLAS. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2168) to amend the Fair Labor Standards Act of 1938, in order to increase the national minimum wage, and for other purposes. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of July 28, 1955, p. 10320, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. DOUGLAS. Mr. President—

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. DOUGLAS. Would the Senate like to have me make a statement on the conference report?

SEVERAL SENATORS. Vote! Vote! Vote!

Mr. KUCHEL. Mr. President, I wonder whether the Senator would make a very few brief remarks on what we are voting?

Mr. DOUGLAS. I was ready to do that when the cry for action on the bill came.

Both Houses have agreed to an increase in the minimum wage from 75 cents to \$1. The Senate set the date of the increase for the 1st of January 1956. The House set the date for the 1st of March. We have accepted the House provision.

The major difference between the two bills concerned the method by which the minimum wage should be handled in Puerto Rico and the Virgin Islands. The Senate bill prescribed a percentage increase within a year for Puerto Rico and the Virgin Islands equal to the percentage increase for the mainland, namely, one-third, with the proviso that after 2 years the absolute increase in Puerto Rico and the Virgin Islands would be the same as the increase on the mainland, namely, 25 cents an hour.

The House made no provision for Puerto Rico, and therefore continued the existing industry committee system, with a review by the Secretary of Labor. In the main, we have adopted the House proposal. In other words, we have given up the idea of a mandatory statutory increase in wages for Puerto Rico. However, we have stiffened the committee procedure for Puerto Rico, with the proviso that there shall be an annual review of the wages and that the recommendations of the committee are to go into effect after 15 days, instead of, as at present, being subject to a second hearing before the Secretary of Labor, with the Secretary of Labor being given the power of veto.

I still believe it would have been better to have had a mandatory increase of

some degree for Puerto Rico, in order to lessen the differential in wages between the mainland and that island, and to protect American industry and American labor.

However, the House conferees were adamant. In order to get any bill at all, we conceded. Only the future can tell the degree to which the Department of Labor and the government of Puerto Rico will provide protection for their workers.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that there be printed in the RECORD, at this point a further statement which I have prepared on the conference report.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

FURTHER STATEMENT BY SENATOR DOUGLAS ON CONFERENCE COMMITTEE MINIMUM WAGE BILL

In addition to the brief explanation of provisions of the minimum-wage bill (S. 2168) agreed to by the conference committee which I have already given to the Senate, there are one or two points that I would like to discuss in somewhat greater detail.

One of these points concerns the problem of the rates for learners under section 14 of the Fair Labor Standards Act. The conference report does not deal with this problem. However, as stated in the report of the Committee on Labor and Public Welfare which recognized this problem, in the light of the increase in the minimum wage from 75 cents an hour to \$1 an hour, the Secretary of Labor and the Administrator of the Wage and Hour and Public Contracts Division should reexamine existing regulations with respect to the setting of minimum-wage rates for learners. Insofar as these regulations will no longer be appropriate to the new conditions which will result from the increase in the minimum wage, it will undoubtedly be necessary to revise these regulations to meet the new conditions, to safeguard the new minimum wage and to prevent its evasion or avoidance.

Another point which requires more detailed discussion is the action of the conference committee on the problem of the minimum-wage rates prescribed under the act for employees in Puerto Rico and the Virgin Islands. While the conferees did not accept the provision of the Senate bill for automatic statutory increases in the existing rates in these islands, they endorsed the second basic principle of the Senate bill in connection with the fixing of these rates, namely, the need for greater expedition and dispatch in the raising of minimum-wage rates in Puerto Rico and the Virgin Islands through the medium of special industry committee procedures.

Thus, section 4 of the conference committee bill requires that each minimum wage rate for employees in Puerto Rico and the Virgin Islands fixed in accordance with section 8 of the act shall be reviewed by an industry committee at least once each fiscal year. This provision should prevent in the future the condition which has prevailed in the past, of rates being allowed to continue in effect for a number of years without being reviewed by an industry committee for the purpose of determining whether it should not be adjusted upward in accordance with the requirements and objective of the act. Of course, it will be incumbent on the Appropriations Commit-

S. 1894, International Finance Corp.; S. 890, water pollution; and possibly S. 2237, flammable fabrics. He said there would not be another call of the Consent Calendar. The Speaker said no bill will be considered Mon. which has not been passed by the Senate, and Rep. Martin agreed with this position. (pp. 10671-2.)

SENATE -- July 30

78. ACCOUNTING. Passed without amendment H. R. 7034, which authorizes the Comptroller General to relieve accountable officers of accountability under certain circumstances, and H. R. 7035, which authorizes the Comptroller General to reimburse disbursing officers under certain conditions (pp. 10713-4). These bills will now be sent to the President. For provisions of bills, see Digest 115.
79. EXTENSION WORK. Passed without amendment H. J. Res. 276, to authorize the Texas Hill Country Development Foundation to convey certain land to Kerr County, Tex. (p. 10714). This measure will now be sent to the President.
80. FLOOD CONTROL. Passed without amendment H. R. 6066, authorizing modification of the project for flood protection on the San Joaquin River and tributaries, Calif. (p. 10714). This bill will now be sent to the President.
81. PROPERTY; TAXATION. Passed with amendment H. R. 6182, to amend the Federal Property and Administrative Services Act so as to make temporary provision for payments in lieu of taxes with respect to certain real property transferred by RFC to other Government departments (pp. 10780-1).
Passed as reported S. 2591, to amend the Federal Property and Administrative Services Act so as to provide that GSA shall exercise the authority vested in it with respect to the utilization and disposal of all excess and surplus property, real and personal, which is under the control of any executive agency, without regard to any other law, except that this provision shall not apply to any executive agency in connection with disposal of property under its control when such disposal is made as specifically authorized by law in a particular manner, to a particular class of persons, or for particular program purposes (such as CCC operations) (p. 10713).
82. RECORDS MANAGEMENT. Passed as reported S. 2364, to amend the Federal Property and Administrative Services Act so as to give GSA additional authority over records-management work of the executive departments and agencies (p. 10713).
83. PERSONNEL. Passed without amendment H. R. 6590, to prohibit employment by the Government of persons who are disloyal or who participate in or assert the right to strike against the Government (p. 10782). This bill will now be sent to the President.
At the request of Sen. Bible, passed over S. 2628, the executive pay bill (p. 10782).
84. FLAMMABLE FABRICS. Passed without amendment S. 1455, to amend the Flammable Fabrics Act so as to exempt scarves which do not present an unusual hazard (p. 10788).
85. RICE. Passed as reported S. 2511 (see item 62 above) (p. 10717).
86. FEES AND CHARGES. S. Res. 140, relating to establishment of uniform fees and charges by Government agencies, was referred to the Rules and Administration Committee (p. 10713).

57. FARM CREDIT. Passed as reported H. R. 5168, to provide for retirement of Government capital in certain institutions operated under supervision of FCA, and to increase borrower participation in the management and control of the Federal Farm Credit System (pp. 10722-32). Rejected, 9 to 80, a Williams amendment regarding application of assets on liquidation or dissolution of banks for cooperatives (pp. 10728-32).

88. WATER COMPACT. Concurred in the House amendments to S. 2260, consenting to a compact among Ark., La., Okla., and Tex. for an apportionment of the waters of the Red River and its tributaries (p. 10735). This bill will now be sent to the President.

89. MINING; PUBLIC LANDS. Passed with amendment H. R. 6994, to provide for entry and location, on discovery of a valuable source material, upon public lands classified as or known to be valuable for coal, etc. (pp. 10782-4).

90. FOOD AND AGRICULTURE ORGANIZATION. Began debate on S. J. Res. 97, to increase the limitation on the U. S. contribution to FAO from \$2 million to \$3 million annually (pp. 10792-6). Pending is an Ellender amendment to limit U. S. increases to the average percentage by which contributions of other countries are increased.

91. RECLAMATION. Passed without amendment H. R. 4663, to authorize the Trinity River division, Central Valley project, Calif. (pp. 10796-802). This bill will now be sent to the President.

Sen. Watkins inserted his statement and various exhibits favoring the proposed upper Colo. River project (pp. 10699-705).

92. HOUSING. Received a report by the Banking and Currency Committee on its study of Federal housing programs (S. Rept. 1281) (p. 10680).

93. ADJOURNED until Mon., Aug. 1 (p. 10809).

ITEM IN APPENDIX - July 30

94. ROADS. Extension of remarks of Rep. Mack, Wash., favoring the President's road program (p. A5642).

BILLS INTRODUCED - July 30

95. WHEAT TARIFF. H. R. 7750, by Rep. Bentley, to amend the Tariff Act to apply the same duty to wheat unfit for human consumption as applies to all other wheat; to Ways and Means Committee (p. 10677).

96. PERSONNEL. H. R. 7760, by Rep. Gubser, to provide for rates of pay for Federal personnel in appropriate relationship to local prevailing rates; to Post Office and Civil Service Committee (p. 10677).

97. FOOD ADDITIVES. H. R. 7764, by Rep. O'Hara, Minn., to prohibit new food additives which have not been adequately pretested to establish their safe use; to Interstate and Foreign Commerce Committee (p. 10677).

98. SOIL CONSERVATION. H. R. 7769, by Bel. Farrington, to extend the Watershed and Flood Prevention Act to Alaska, Hawaii, and Puerto Rico; to Agriculture Committee (p. 10677).

99. COTTON. S. 2702, by Sen. Thurmond (for himself and 60 others), to encourage the

portion of such one hundred ninety-nine and nine hundred and fifty-nine one-thousandths acre tract of land, rights-of-way for water lines, sewer lines, telephone and telegraph lines, power lines, and such other utilities which now exist, or which may become necessary to any operations of the United States on or in connection with the remaining portion of said one hundred ninety-nine and nine hundred and fifty-nine one-thousandths acre tract of land.

SEC. 4. The conveyance of the property authorized by this act shall be upon condition that such property shall be used for training of the National Guard and the Air National Guard and for other military purposes, and that if the State of Texas shall cease to use the property so conveyed for the purposes intended, then title thereto shall immediately revert to the United States, and in addition, all improvements made by the State of Texas during its occupancy shall vest in the United States without payment of compensation therefor.

SEC. 5. The conveyance of the property authorized by this act shall be upon the further provision that whenever the Congress of the United States declares a state of war or other national emergency, or the President declares a state of emergency, and upon the determination by the Secretary of Defense that the property conveyed under this act is useful or necessary for military, air, or naval purposes, or in the interest of national defense, the United States shall have the right, without obligation to make payment of any kind, to reenter upon the property and use the same or any part thereof, including any and all improvements made thereon by the State of Texas, for the duration of such state of war or of such emergency. Upon the termination of such state of war or of such emergency plus 6 months such property shall revert to the State of Texas, together with all appurtenances and utilities belonging or appertaining thereto.

SEC. 6. In executing the deed of conveyance authorized by this act, the Secretary of the Army or his designee shall include specific provisions covering the reservations and conditions contained in sections 2, 3, 4, and 5 of this act.

SEC. 7. The cost of any surveys necessary as an incident to the conveyance authorized herein shall be borne by the State of Texas.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

CONVEYANCE OF CERTAIN PROPERTY WITHIN FORT McCLELLAN, ALA., TO CITY OF ANNISTON, ALA.

The bill (H. R. 46) to authorize the conveyance to the city of Anniston, Ala., of certain real property within Fort McClellan, Ala., was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. MORSE. Mr. President, I wish to thank the authors of the bill for providing the requirement that there be a payment of fair market value for the property.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Armed Services, with amendments, on page 1, line 3, after the word "au-

thorized", to strike out "after" and insert "if"; and in line 10, after the word "for", to strike out "cemetery" and insert "municipal."

The amendments were agreed to.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

APPOINTMENT OF RESERVE MIDSHIPMEN IN THE NAVY

The Senate proceeded to consider the bill (S. 1748) to authorize the appointment of Reserve midshipmen in the United States Navy, and for other purposes, which had been reported from the Committee on Armed Services with amendments, on page 2, after line 4, to insert:

SEC. 4. Service as a Reserve midshipman shall not be credited in the computation of retired pay and such service shall not be considered as service in a reserve component for the purposes of section 4 (d) (3) of the Universal Military Training and Service Act (62 Stat. 609), as amended (50 U. S. C. App. 454 (d) (3)).

And at the beginning of line 11, to change the section number from "4" to "5", so as to make the bill read:

Be it enacted, etc., That section 220 of the Armed Forces Reserve Act of 1952 is hereby amended by inserting immediately before the period at the end thereof the following: "and in the grade of midshipman."

SEC. 2. Section 223 of the Armed Forces Reserve Act of 1952 is hereby amended by inserting immediately after "officers" the following: "and Reserve midshipmen."

SEC. 3. Subsection (a) of section 6 of the Universal Military Training and Service Act is hereby amended by striking out "midshipmen, Merchant Marine Reserve, United States Naval Reserves" and inserting in lieu thereof: "Reserve midshipmen (merchant marine), United States Navy."

SEC. 4. Service as a Reserve midshipman shall not be credited in the computation of retired pay and such service shall not be considered as service in a reserve component for the purposes of section 4 (d) (3) of the Universal Military Training and Service Act (62 Stat. 609), as amended (50 U. S. C. App. 454 (d) (3)).

SEC. 5. The amendments made by this act shall take effect as of January 1, 1953.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

INCREASE IN COMPENSATION OF ACADEMIC DEAN OF UNITED STATES NAVAL POSTGRADUATE SCHOOL

The bill (H. R. 2149) to increase the annual compensation of the Academic Dean of the United States Naval Postgraduate School was considered, ordered to a third reading, read the third time, and passed.

APPOINTMENT OF MALE NURSES AND MEDICAL SPECIALISTS AS RESERVE OFFICERS

The bill (H. R. 2559) to authorize male nurses and medical specialists to

be appointed as Reserve Officers, was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. PURTELL. Mr. President, reserving the right to object, and I shall not object, I think it is a unique piece of legislation, because it calls for equal rights for men. I have no objection to the bill.

There being no objection, the bill (H. R. 2559) was considered, ordered to a third reading, read the third time, and passed.

INCREASE IN ANNUITIES OF CERTAIN RETIRED CIVILIAN MEMBERS OF TEACHING STAFFS, UNITED STATES NAVAL ACADEMY AND NAVY POSTGRADUATE SCHOOL

The bill (H. R. 4672) to increase the annuities of certain retired civilian members of the teaching staffs of the United States Naval Academy and the United States Naval Postgraduate School was considered, ordered to a third reading, read the third time, was passed.

BILLS PASSED OVER

The bill (H. R. 5614) to amend the Communications Act of 1934 in regard to protests of grants of instruments of authorization without hearing, was announced as next in order.

Mr. BIBLE. Over.

The PRESIDING OFFICER. The bill will go over.

The bill (H. R. 6645) to amend the Natural Gas Act, as amended, was announced as next in order.

Mr. BIBLE. Over.

The PRESIDING OFFICER. The bill will go over.

Mr. BIBLE. Mr. President, I move that the calendar call be suspended.

The PRESIDING OFFICER. Does the Senator desire to have that order apply to the measures which were placed at the foot of the calendar?

Mr. BIBLE. My impression was that with respect to the two bills which went to the foot of the calendar, we were waiting for House bills to come from the House of Representatives, so that they could be substituted for the Senate bills. Since they have not yet arrived—

The PRESIDING OFFICER. The Chair wishes to inform the Senator that one Senate resolution went to the foot of the calendar.

Mr. CLEMENTS. Mr. President, will the Chair state the number of the resolution to which he has referred?

The PRESIDING OFFICER. Calendar No. 1218, Senate Resolution 142, to confer certain jurisdiction upon the Court of Claims.

Mr. CLEMENTS. Mr. President, it is my impression that the Senator from Connecticut asked that Calendar No. 1218, Senate Resolution 142, go to the foot of the calendar.

Mr. KNOWLAND. Mr. President, if the Senator will yield, I should like to say that I had suggested that the reso-

lution go to the foot of the calendar, and I meant the complete foot of the calendar, so we would have a chance to study the report, which has just been made available.

Mr. CLEMENTS. Mr. President, I move that further call of the calendar be suspended until later in the day.

Mr. CASE of South Dakota. Mr. President, will the acting majority leader withhold his motion?

Mr. CLEMENTS. I withhold my motion.

Mr. PURTELL. Mr. President, will the Senator from South Dakota yield so that I may make an inquiry?

Mr. CASE of South Dakota. Mr. President, I do not have the floor.

Mr. CLEMENTS. Mr. President, with the consent of the Senator from South Dakota, I yield to the Senator from Connecticut.

Mr. PURTELL. Mr. President, I rise to inquire which measures have gone to the foot of the calendar, so the RECORD may be clear.

Mr. CLEMENTS. Mr. President, I ask the Chair to state the measures which have gone to the foot of the calendar.

The PRESIDING OFFICER. The following measures have gone to the foot of the calendar: Calendar No. 1213, S. 2671, to authorize the Atomic Energy Commission to pay the salary of a Commissioner during the recess of the Senate, and for other purposes; Calendar No. 1218, Senate Resolution 142, to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of Joseph H. Lym, doing business as Lym Engineering Co.; and Calendar No. 1219, S. 1455, to amend the Flammable Fabrics Act to exempt from its application scarves which do not present an unusual hazard.

Mr. CLEMENTS. Mr. President, am I correct in my understanding that those measures will be considered as other measures on the calendar are considered this afternoon if a motion is made that there be a call of the calendar?

The PRESIDING OFFICER. If there should be a further call of the calendar.

The Chair wishes to state that the Senator from Kentucky has the floor. He has yielded to the Senator from South Dakota. Does he yield further so that an inquiry may be made?

Mr. CLEMENTS. I yield.

Mr. CASE of South Dakota. Mr. President, if I may make my inquiry, it may simplify the situation. I desired to ask what had happened to Calendar No. 1209, H. R. 6417, which had to do with the Arkansas-Mississippi Bridge Commission.

The PRESIDING OFFICER. Calendar No. 1209, H. R. 6417, was passed.

Mr. CASE of South Dakota. Mr. President, after making that statement, I wish to say that of course I have no objection to the passage of House bill 6417; and I shall not press the interstate highway amendment to that bill or to any other bill at this session.

Mr. CLEMENTS. Mr. President, may some action be taken on the pending motion?

The PRESIDING OFFICER (Mr. PAYNE in the chair). It has been moved

that further proceedings under the unanimous-consent agreement for the call of the calendar be suspended, and that the three bills which went to the foot of the calendar be included in the next call of the calendar.

Mr. CLEMENTS. That is correct.

Mr. President, I should like to state that it is the intention of the acting majority leader to move that the Senate return to the calendar at the earliest possible time. Of course, that will be contingent upon the reports being printed and being made available to the Members of the Senate, and in time for the calendar committees to study them.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Kentucky.

The motion was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Bartlett, one of its clerks, announced that the House had passed the bill (S. 2260) granting the consent of Congress to the States of Arkansas, Louisiana, Oklahoma, and Texas to negotiate and enter into a compact relating to their interests in, and the apportionment of, the waters of the Red River and its tributaries, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2168) to amend the Fair Labor Standards Act of 1938 in order to increase the national minimum wage, and for other purposes.

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 4249) for the relief of Orrin J. Bishop.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 5078) for the relief of the estate of Victor Helfenbein.

The message further announced that the House had agreed to the amendment of the Senate to the bill (H. R. 6232) to include as Spanish-American War service under laws administered by the Veterans' Administration certain service rendered by Stephen Swan Ogletree during the Spanish-American War.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7278) making supplemental appropriations for the fiscal year ending June 30, 1956, and for other purposes; that the House receded from its disagreement to the amendments of the Senate numbered 2, 19, 20, 28, 29, 34, 37, 38, 39, 40, 41, 43, 48, 49, 50, 58, 59, 61, 64, 78, 80, 82, 83, 85, 86, 88, 89, 92, 95, 98, 117, 127, 128, 131, 142, and 143 to the bill,

and concurred therein; that the House receded from its disagreement to the amendments of the Senate numbered 3, 22, 23, 25, 27, 31, 33, 35, 56, 75, 76, 84, 93, 104, 109, 116, and 123 to the bill, and concurred therein, severally with an amendment, in which it requested the concurrence of the Senate, and that the House insisted on its disagreement to the amendment of the Senate numbered 62.

The message further announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 6102. An act to change the name of Garza-Little Elm Dam, located in Denton County, Tex., to Lewisville Dam;

H. R. 6183. An act to amend the Federal Property and Administrative Services Act of 1949 to make temporary provision for making payments in lieu of taxes with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments;

H. R. 7195. An act to provide for adjustments in the lands or interests therein acquired for reservoir projects in Texas, by the reconveyance of certain lands or interests therein to the former owners thereof;

H. R. 7227. An act to amend further the Federal Property and Administrative Services Act of 1949, as amended, to authorize the disposal of surplus property for civil defense purposes, to provide that certain Federal surplus property be disposed of to State and local civil defense organizations which are established by or pursuant to State law, and for other purposes; and

H. R. 7684. An act to authorize the Atomic Energy Commission to pay the salary of a Commissioner during the recess of the Senate, and for other purposes.

HOUSE BILLS REFERRED OR PLACED ON THE CALENDAR

The following bills were severally read twice by their titles and referred, or placed on the calendar, as indicated:

H. R. 6102. An act to change the name of Garza-Little Elm Dam, located in Denton County, Tex., to Lewisville Dam; and

H. R. 7195. An act to provide for adjustments in the lands or interests therein acquired for reservoir projects in Texas, by the reconveyance of certain lands or interests therein to the former owners thereof; to the Committee on Public Works.

H. R. 6182. An act to amend the Federal Property and Administrative Services Act of 1949 to make temporary provision for making payments in lieu of taxes with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments; placed on the calendar.

H. R. 7227. An act to amend further the Federal Property and Administrative Services Act of 1949, as amended, to authorize the disposal of surplus property for civil-defense purposes, to provide that certain Federal surplus property be disposed of to State and local civil-defense organizations which are established by or pursuant to State law, and for other purposes; to the Committee on Government Operations.

RETIREMENT OF GOVERNMENT CAPITAL IN CERTAIN INSTITUTIONS UNDER SUPERVISION OF THE FARM CREDIT ADMINISTRATION

Mr. CLEMENTS. Mr. President, I move that the Senate resume the consid-

eration of Calendar No. 1216, House bill 5168.

The motion was agreed to; and the Senate resumed the consideration of the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes, which had been reported from the Committee on Agriculture and Forestry, with an amendment, on page 12, line 9, after the word "allocated," to insert a colon and "Provided, That any surplus and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds."

Mr. HOLLAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HOLLAND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HOLLAND. Mr. President, I would appreciate the attention of the distinguished Senator from Delaware [Mr. WILLIAMS], who, I understand, wishes to be heard in opposition to the pending bill.

House bill 5168, now pending, and a companion Senate bill, Senate bill 1286, were introduced to carry out the recommendations of the Federal Farm Credit Board which were made by it in response to the direction of Congress contained in section 2 of the Farm Credit Act of 1953.

The purpose of the bill is to increase borrower participation in the ownership, management, and control of the Federal Farm Credit System, and to allow for the retirement of the Government capital in that system. As recommended by the Farm Credit Board, the bill provides for the retirement of Government capital in the banks for cooperatives.

The Senate will recall that when Congress passed the 1953 act one of the first mandates which was imposed upon the new Board which was established under the terms of the act—12 of whose members were to come from the areas served by the entire credit system and to be appointed by the President, presumably from nominations made from the groups of borrowers—was that the Board should speedily consider recommending to the Congress a workable program for the retirement of Government capital in the various institutions which comprise the Federal Farm Credit System, and the taking over of the control of that system and its component parts as speedily as possible, and as largely as possible, by representatives of the borrowers themselves, that is, representatives either of individual farmers, in some cases, or of cooperative associations in other cases.

This recommendation has come back to Congress. It has been acted upon by the House. The Senate committee

has reported the House bill, which is now before the Senate for action.

Under the provisions of the bill as reported by the Senate committee, the surplus and reserves of the banks for cooperatives as of the date of enactment of this bill would be left with the banks; and the committee amendment makes it perfectly clear that they could not be used for the payment of patronage refunds. In other words, the surpluses should be available on a continuing basis as a cushion against losses, if there should be losses.

The committee report also makes it perfectly clear that interest rates shall be established on such a basis as to continue the operations on a satisfactory and profit-making basis, rather than to draw down the amount of the surplus. A provision under which the Government would have retained an interest in these surpluses and reserves upon liquidation, even after the Government investment in the banks had been completely retired, was eliminated by the House, and is not now in the bill.

That same provision was before the Senate committee, and was not acceptable to the committee, except one member; and the committee, except for one member, voted to approve and recommend to the Senate passage of the bill in the form in which it passed the House, with one minor amendment, which will be stated in a moment.

The committee felt that this sum—the surplus and reserves—should be left with the banks to cushion possible future losses, but that the retention of an interest by the Government, to be effective only upon the remote possibility of liquidation of the banks, was neither necessary nor consistent with either the history of the system or the objective of the bill of providing for borrower ownership.

The Farm Credit Board's recommendations and the bill as originally introduced also provided for retirement of the Government capital in the production credit corporations and for the assumption by the production credit associations of the ownership and expenses of the production credit corporations.

At the hearings conducted by the subcommittee of the Committee on Agriculture and Forestry, it was evident that there was a great difference of opinion among those served by those institutions as to the appropriate method and time for retirement of the Government's investment in those corporations and the assumption of their expenses. So it appeared that further work on this matter would be absolutely necessary. Consequently, those provisions, that is, the provisions applying to the production credit corporations, for the retirement of Government capital in the production credit corporations, were eliminated from the House bill before passage, and the Senate committee agreed with this action by the House.

The bill as it is reported from the Senate committee contains, in its major references, provision for the retirement of the Government capital in the banks for cooperatives. I think it would be advantageous to recite briefly the only

point of difference which I understand exists between the distinguished Senator from Delaware [Mr. WILLIAMS] and other members of the committee.

The facts are these: The present investment in the capital stock of the banks for cooperatives consists of \$150 million of Federal investment, and about \$20 million of private investment, that is, investment out of the pockets of those who comprise the membership of the cooperative organizations which have utilized the services of the banks for cooperatives. The surplus and reserves which were held by the 12 regional banks for cooperatives and the central bank for cooperatives, in the aggregate, were, on January 1, about \$81 million.

In the case of the membership of the committee, with the exception of the distinguished Senator from Delaware, we all felt that that surplus and reserve should remain in the banks, and should constitute, insofar as we could make it possible, a cushion against possible losses. It should be so safeguarded as never to be the subject of melon cutting or payment as patronage refunds, but should subserve the purpose for which it was created, that is, to operate as a surplus to be called upon in the event of an unsuccessful year's operations.

We believe that the amendment which we have suggested would adequately safeguard that continued use of such surplus funds, amounting, in the aggregate, as I have said, to about \$81 million.

In order that Senators may understand exactly how small an amount this constitutes in any particular case, I may state that that surplus fund is scattered through the 12 regional banks for cooperatives, and the central bank for cooperatives.

The reasons why the committee, with the exception of one member, felt that the Government should not retain any continuing interest in these surpluses and reserves were these:

First, the surplus and reserves were created from the interest paid by the users of the funds loaned by the banks, and in every instance the interest rates, in order to establish such reserves, had to be in an amount substantially larger than would be necessary merely to meet the cost of the operation. In other words, those who have been operating the banks have charge the cooperatives, which borrowed from the banks, sufficient rates of interest to create sizable surpluses, because they felt that was the only sound method of doing business, and they thought, in order to assure a stable and continuing operation, there must be this sizable surplus to rely upon.

Mr. President, if the operators of those banks had wanted to operate other than on a sound business basis, they could have set lower rates of interest, which would not have created these surplus and reserve funds.

In the second place, we felt that the Federal Government was adequately safeguarded. If there should be a liquidation—and we cannot dream that there will ever be a liquidation—the Government would participate in the distribution of this surplus to the extent of its then capital investment balanced off

against that which came out of the pockets of the growers who are members of the cooperatives. If there should be any speedy liquidation, the Government would be adequately protected.

Furthermore, we believe the method of setting up the board of directors of the banks for cooperatives adequately cares for the Government interest, because until the time the Government's investment is cut down to where it constitutes only one-third of the total investment, the Government directly or indirectly will appoint a very active part of the board of directors in each case.

Mr. President, we believe it would stultify the purpose of the operation for the Federal Government to hold onto any continuing interest in the surplus and reserve funds. We believe, furthermore, it would defeat the purpose of this proposed legislation. I say that because no sensible growers in a cooperative organization would proceed to retire Government capital if by retirement they had to turn over a large part of the surplus to the Government, which never intended to claim any part of such surplus.

There is not the slightest evidence in any part of the history of these organizations, from their beginning in 1933 to the present time, that the Government expected to assume any interest in these surpluses. The question arose when the Board of Directors of the Farm Credit Administration unanimously reported the program and it was submitted to the Bureau of the Budget. The Directors had unanimously recommended that the legislation follow the same course that had been followed in the case of the Federal land banks, under which surpluses went back to the banks, to assure their continuing stable condition.

Thereupon, the Bureau of the Budget insisted upon a change in these recommendations by which the Government would assert, because of the fact that a large part of the surplus had been created by the use of interest-free Government capital, a right to reclaim a major portion of the surplus in each case. It was upon that recommendation of the Bureau of the Budget that the question arose.

The members of the committee, as I have said, with one exception, felt that the Bureau of the Budget has taken an unsound position on this question; that the original purpose all the way through was to enable the operators to have a steady source of credit to which they could go, and which would be so sound that it could not be wiped out by misfortune, and that that purpose was a good one, and should be retained.

I close by mentioning only two additional points. At the same time I apologize for taking so much of the time of the Senate. The first point is that in the case of the Federal land banks, which were allowed to retain their surpluses, the surpluses were decidedly larger than those which are in the hands of the banks for cooperatives. This question was not raised with reference to the land banks, but the surpluses were allowed to remain where they were.

The second point I wish to make is that in the case of the land bank system,

the total investment of the Government at one time considerably exceeded \$150 million of Government capital.

It seems to me if the practice was sound as applied to Federal land banks, and if it worked in that instance toward encouraging the retirement of Government capital, so that control by the borrowers had shown a fine result, we would be very foolish indeed to impose a different rule in this case as to weaker institutions, and to impose a rule under which, my personal belief is, we would find an immediate stoppage of any effort to obtain for the grower organizations complete control of the institutions, or as nearly complete control as the law permits.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. HOLLAND. I yield.

Mr. CARLSON. The State of Kansas is a part of the farm credit system. I have received many letters and resolutions from representative officers of production credit associations. How would they be affected by this legislation?

Mr. HOLLAND. The proposal for the retirement by those associations of the Government capital in the production credit corporations was eliminated from the proposed legislation by an amendment adopted by the House and approved by the Senate committee, because there were so many differences of opinion. The element of time was also involved. It became clear, also, that that question ought to be relegated for future consideration. In all probability it should be considered in connection with a similar question applicable to the intermediate credit banks, which were not involved in the pending legislation as originally introduced.

Mr. CARLSON. What the Senator has stated will be very well received by the production credit associations in the farm districts of Kansas. I commend the distinguished Senator from Florida for doing a fine job in protecting the program. I am sure it should be further studied.

Mr. HOLLAND. This is not a new program. When we passed the Farm Credit Act of 1953, we started upon a program by which we hoped the agricultural organizations of the Nation would be encouraged to take over in a large part the control of their lending institutions, which had made such a fine record.

The land bank system is fully within the legislation of 1953 and is as nearly grower-controlled and citizen-controlled as is possible. This bill, if passed, will, we think, bring about results speedily in some cases; in others it may take 12 or 15 years. But it will work out so that this same result can be accomplished in the case of banks for cooperatives.

Mr. THYE. Mr. President, will the Senator from Florida yield?

Mr. HOLLAND. I yield.

Mr. THYE. I should like to associate myself with the remarks of the distinguished Senator from Florida in connection with his explanation of the bill. It is very constructive and sound legislative proposal to provide self-control and self-reliance for the producer groups. They

have an enviable record, and have proved that they have the ability to stand on their own feet, irrespective of any governmental assistance. They have paid back the funds advanced by the Federal Treasury for the support of these land agencies in their early history.

I have been rather opposed to the retention of section 401 (a) in the bill, and I so expressed myself in the committee. However, the reason for having it remain in the bill for the time being is that if there is no floor amendment to the bill it will not involve delay in reaching final agreement with the House. Therefore, the enactment of the bill will be assured by favorable action by the Senate. But I think at some future time it would be well to reexamine this particular section of the bill, because I know that only two Members would serve in the joint capacity of a board, and, therefore, there would be no danger that they would establish policies favoring themselves.

I make this statement merely as an explanation of my views, with the hope that at some future time we may reexamine the question of whether we want a restrictive measure on the books, such as section 401 (a) would provide.

I wish to associate myself with the remarks of the Senator from Florida in his explanation of the bill. He not only made a thorough study of it as subcommittee chairman, but he came to the full committee with an excellent report. The bill should be immediately passed by this body.

Mr. HOLLAND. Mr. President, I am grateful to the distinguished Senator from Minnesota for his fine comment. As the Senator knows, I supported his position with reference to section 401 (a), because I felt it was a troublemaking section at this particular time. The situation has in a way reversed itself, since we are considering the matter in the closing hours of Congress, and I am very happy that no one is offering my amendment to eliminate that section of the bill.

Section 401 (a) of H. R. 5168, as passed by the House and as now contained within the bill being considered by the Senate, prohibits a salaried officer or employee of the Farm Credit Administration or of any corporation under the supervision of that Administration from being appointed or elected to membership on the District Farm Credit Board. Appointment to the Board is already prohibited, and election to the Board would be prohibited by this provision of the House bill. No action on this provision was taken by the subcommittee appointed to consider the bill, and the full committee by a tie vote disapproved a motion to eliminate it.

Mr. President, unless the distinguished Senator from Delaware wishes the matter to be presented otherwise, I should like to ask that at this time the committee amendment be adopted.

The PRESIDING OFFICER. The committee amendment will be stated.

The LEGISLATIVE CLERK. On page 12, line 9, it is proposed to insert the following proviso:

Provided, That any surplus and contingency reserves shown on the books of the

bank as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. HOLLAND. Mr. President, that provision, when taken in conjunction with certain wording in the report, is a valuable and adequate safeguard on the proper use of the surplus and reserve funds as a sound cushion against disappointing operations in a bad year.

Mr. President, I yield the floor.

Mr. WILLIAMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

The legislative clerk proceeded to call the roll.

Aiken	George	Millikin
Allott	Goldwater	Monroney
Anderson	Gore	Morse
Barkley	Green	Mundt
Beall	Hayden	Murray
Bender	Hennings	Neely
Bennett	Hickenlooper	Neuberger
Bible	Hill	O'Mahoney
Bricker	Holland	Pastore
Bridges	Hruska	Payne
Bush	Humphrey	Potter
Butler	Ives	Purtell
Byrd	Jackson	Robertson
Capehart	Jenner	Russell
Carlson	Johnston, S. C.	Saltonstall
Case, N. J.	Kefauver	Scott
Case, S. Dak.	Kerr	Smathers
Chavez	Kilgore	Smith, Maine
Clements	Knowland	Smith, N. J.
Cotton	Kuchel	Sparkman
Curtis	Langer	Stennis
Daniel	Lehman	Symington
Dirksen	Long	Thurmond
Douglas	Magnuson	Thye
Duff	Malone	Watkins
Dworshak	Mansfield	Welker
Eastland	Martin, Iowa	Wiley
Ellender	Martin, Pa.	Williams
Ervin	McCarthy	Young
Flanders	McClellan	
Fulbright	McNamara	

Mr. CLEMENTS. I announce that the Senator from Delaware [Mr. FREAR] and the Senator from Massachusetts [Mr. KENNEDY] are absent on official business.

The Senator from Texas [Mr. JOHNSON] is absent by leave of the Senate because of illness.

Mr. SALTONSTALL. I announce that the Senator from Wyoming [Mr. BARRETT] is absent because of illness in his family.

The Senator from Kansas [Mr. SCHOEPPPEL] is necessarily absent.

The PRESIDING OFFICER (Mr. NEUBERGER in the chair). A quorum is present.

The bill is open to amendment.

Mr. HOLLAND. Mr. President, before the Senator from Delaware [Mr. WILLIAMS] begins his address, I call the attention of the Senate to one omission from the Senate report, evidently an omission made by the Government Printing Office.

On page 29, in explaining the changes in present law, there was left out, following the word "allocated", which is the first word in the 17th line from the bottom, the description of the committee amendment, which appears on page 12 of the bill, beginning on line 9, which

has already been agreed to by the Senate. I do not think anybody is being misled, but I did want the RECORD to show that error was called to the attention of the Senate.

Mr. WILLIAMS. Mr. President, I shall be very brief in my remarks. The Senator from Florida has already explained the bill. However, I think that as the Senate votes we should have one clear understanding in mind; namely, that the bill, if passed, would authorize the sale of Government property which is valued at \$220 million for \$150 million, and it would authorize the taking in exchange for that sale \$150 million of Class A stock with the proviso that the stock is nonvoting, nondividend paying, and payable pretty much at the option of the buyer over the next 10 or 15 years; and there is nothing in the bill that says it could not be 20 years. The bill proposes to give away the Government's interest in approximately \$82 million surplus, and under the bill in case of liquidation of the new corporation this can be divided as windfalls.

This corporation at the present time is capitalized at around \$170 million. One hundred and fifty million dollars is Government capital. Twenty million dollars is in the hands of the cooperative banks throughout the country. There is approximately \$82 million of surplus. That means about \$71½ million to \$72 million of the surplus automatically should accrue to the Government for its capital stock.

There is no provision in the bill which would do anything other than give the \$71½ million or \$72 million of Government funds to those who are supposedly going to buy the Government's interest for \$150 million.

The corporation is so flush with money that it is actually lending back some of this interest-free money to the United States Government and charging the United States Government 2¾ percent interest on it. No one in the Congress challenges these facts.

The only question before the Senate is: Do we want to give away \$72 million? Certainly the Government's interest should be protected better than that. After all the United States Government will have to borrow the money before it can give it away. Our budget is out of balance now.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. BUSH. What is the justification for that substantial giveaway?

Mr. WILLIAMS. The only justification advanced was that Congress a few years ago gave a similar group an equal amount of money, and the suggestion was that if Congress gave it to that group, why not give it to this one? The argument is made that Congress did the same thing with respect to the Federal land banks. If Congress did, it slipped by me; otherwise, I would have protested it. I do not think this bill can be justified on the basis that heretofore a loose piece of similar legislation was enacted. Either the bill is meritorious or it is not.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. ANDERSON. I wish to comment on what the Senator from Delaware has said, but before I do so, I am forced to say he did valuable work in bringing the matter to our attention. I joined with him in the fight to make the changes which were made. I believe the bill has now been changed to such a degree that he can feel justified in abandoning his fight. There is a difference of opinion between us, but that does not change my respect for him or affect the compliment I paid to him.

There is this answer to the question of the able Senator from Connecticut. The Government loaned money to a great many institutions to start off the capital stock subscription. Some of those institutions so managed their affairs that they acquired a surplus. It is true they did not have to pay much interest, and at times no interest at all. However, to allocate the money and give it to those whom it belonged would require hunting through a whole group of people who were really entitled to dividends for many years.

I say that because I happen to be president of a mutual insurance company. That company has accumulated a surplus. If the strict principal of mutuality were to be applied, we would have to pay out every dollar we have accumulated. That would leave the company without any surplus or protection.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. ANDERSON. I am speaking by the courtesy of the Senator from Delaware.

What the Senator from Delaware has said is completely correct. The \$71 million comprised earnings. Technically, if the company had been charged interest, that whole amount of money might have gone back to the Federal Government. It is a situation in which cooperatives are involved. The theory is that they should be so well financed that they will not return to the Federal Treasury for help.

Mr. BUSH. Would it be necessary to finance the surplus as well as the capital?

Mr. WILLIAMS. That was the only difference between the Senator from New Mexico and myself. I felt there should be a proviso to the effect that in case of liquidation the Government would recover its proportionate share of the surplus, representing about \$71 million. As the bill is written, theoretically it is possible for the group to liquidate the organization after this bill is passed, which would result in about a \$70 million windfall.

Do not forget that the scores of little cooperatives will get practically nothing from this amount; in fact, over 80 percent of the \$70 million windfall will go to about 10 large cooperatives.

Mr. ANDERSON. Theoretically that is possible. I do not think that practically it is possible. If simple language had been offered to take care of that situation, I would have been willing to accept it. If the surpluses were taken away from cooperatives all over the country, I believe they would fail.

Mr. WILLIAMS. The Senator from New Mexico and I were in full agreement that we did not want to do that. My only contention is: Let us write it in the bill so that the Government's interest will be protected. Why should we make an outright gift of \$70 million to this group?

If the Senator from Florida will join in a motion to amend the bill so as to provide that in the event of ultimate liquidation, the Government will retain its part of the surplus, my attitude toward the bill would be different.

Mr. ANDERSON. Mr. President, I may say to the Senator from Delaware that I contended for the same thing he did in this respect, and therefore I would not be opposed to what he has just suggested. However, we simply could not find the proper language to accomplish that purpose.

Mr. WILLIAMS. I think adequate language can be written into the bill to accomplish the desired result. There is general agreement that under the bill as it is now written windfalls can result.

If such an amendment can be agreed upon I shall withdraw my objection instantly. I am in complete agreement with the Senator from New Mexico [Mr. ANDERSON], that the Government should get out of this corporation as soon as possible and that we should not write terms which would be a handicap to those who would use these banks.

I am perfectly willing to go along with all the provisions of the bill if we can include a simple amendment providing that in case of a future liquidation, the Government will always retain its proportionate right to the accumulated surplus in the accounts as of the time of the passage of this measure.

If the Senator from Florida will accept such an amendment, I will be ready to make a motion to that effect. Then we can pass the bill, send it to conference, and let the staff work out the necessary technical language.

Mr. ANDERSON. Mr. President, I agree with the Senator from Delaware; but I simply cannot find language to accomplish that purpose. It was not possible to suggest language for that purpose without tying up the bill. I believe it might be possible to arrive at such language in conference, but I do not know how long that would take, and I do not know whether it could be done now.

Rather than jeopardize the enactment of the bill, I would prefer to have the bill passed as it now stands, because I do not think this organization is going into liquidation; or, if it does, I think it will go all the way into liquidation, and then the \$71 million will not be worth anything.

Mr. WILLIAMS. I am confident that the legislative counsel can frame appropriate language; and if the Senator in charge of the bill will accept such an amendment, I would say that rather than oppose the bill I would be one of its most enthusiastic supporters.

Mr. HOLLAND. Mr. President, will the Senator from Delaware yield to me?

The PRESIDING OFFICER (Mr. NEUBERGER in the chair). Does the Senator from Delaware yield to the Senator from Florida?

Mr. WILLIAMS. I yield.

Mr. HOLLAND. Mr. President, I thoroughly respect the sincerity of the distinguished Senator from Delaware, but I do not think he is correct in his conclusion, and I cannot agree at all with what he is attempting to do.

I call his attention, in the first instance, to the fact that he is incorrect in his statement that the Federal Government does not receive any payments for its capital. The Congress in its wisdom determined that the rate of payment to the Government for the capital would be, not on the strict basis of an interest rate, but on the basis of a so-called franchise tax rate, based on 25 percent of the net savings of the banks beyond the amount required for restoring capital impairment and creating an adequate surplus account. Last year that amounted to one-million-one-hundred-thousand-odd dollars; and this year, to \$1,600,000, a little more than 1 percent on the total capital stock.

The point I am making is that the Congress itself fixed that measure of the charge for the use of the money, and that the banks must pay it until the Federal capital is retired; and that the Federal capital will not be retired for a good, long time. That is the first point I should like to make to the distinguished Senator from Delaware.

Mr. WILLIAMS. I should like to reply to it now.

Mr. HOLLAND. Very well.

Mr. WILLIAMS. I point out that this franchise tax has been on the books only for 1 year. Last year was the first year it was paid. As the Senator from Florida pointed out, it averaged about \$1,150,000, and during the same year they loaned to the Government from \$42 million to \$46 million upon which they collected \$1,500,000. They paid only three-quarters of 1 percent; and the Government borrowed some of the same money right back from them, and paid them 2¾ percent. There is no rhyme or reason to that.

Also, in this case we are proposing—and I do not think the Senator from Florida will contradict this statement—that we give away \$71 million, representing the Government's right to the surplus without any strings attached, and theoretically within the law.

After the bill is passed it will be possible for this group to dissolve the corporation, call the Government's capital, pay it off at par, and in liquidation proceedings have an \$80 million melon to distribute with the \$20 million stock they have.

Mr. ANDERSON. Mr. President, I believe the Senator from Delaware would wish to say that could not be done without the approval of the Federal intermediate credit banks.

Mr. WILLIAMS. That is true. But in the law there is no provision that the Federal intermediate credit banks could not give such approval.

Mr. ANDERSON. That is correct.

Mr. WILLIAMS. I agree that it could not be done if such persons said "no." But under the law, there is a way it could be done. I wish to spell out in the law that it cannot be done. Every-

one says it should not be done, and I see no reason why we should not spell out in the law that which everyone is in agreement we do not wish to have done.

Mr. HOLLAND. Mr. President, will the Senator from Delaware yield again to me?

Mr. WILLIAMS. I yield.

Mr. HOLLAND. When the Senator from Delaware says everyone is in complete agreement, he may be in error. Everyone is in complete agreement on one thing alone, namely, that this surplus and reserve should be kept as intact as possible, so as to operate as a stabilizing influence in connection with the operation of the banks.

However, we are not in agreement at all as to where the equities regarding that money are. The Federal Government has never claimed, under any legislation, any right to the surplus. If it had, the Senator from Delaware knows and I know and everyone else knows that the rates of interest would not have exceeded to such an extent as they have the necessary operating rates. All these institutions in good faith have proceeded to establish a surplus out of the payment of interest rates higher than those which were necessary for them to continue to operate.

I should like to make one other point, and then I shall yield. The Senator from Delaware, of course, is in strict accord with what I regard as the fact when he says that liquidation could be accomplished at any time. However, to accomplish liquidation there would have to be \$150 million in cash on hand, in order to retire the Government capital.

But these banks have never had any such amount of money, and they do not have it now, because their money is invested in loans to small cooperatives all over the country—in loans which would not be regarded as standard loans, for bank purposes. So they do not have \$150 million in cash, with which to retire the Government capital, and will not have at any time in the foreseeable future.

We are trying to allow them to retire it in fractions, year after year, until the Government capital is completely retired; and in the meantime—and I think this is one thing the distinguished Senator from Delaware has entirely overlooked—the owner of the largest surplus, namely, the central bank of cooperatives, is controlled by directors who are appointed by the Farm Credit Administration, in that way, and directors so appointed will continue to constitute a majority of the board until the capital of the central bank is two-thirds privately owned. That would be, let us say, when \$100 million of the \$150 million of capital stock, or about that much, had been retired.

So I think the Senator from Delaware is seeing visions that I cannot see at all as practical possibilities in this matter.

I think he knows, and I know, and all the rest of us know, that these banks were not created to be liquidated, and there is no one who wishes to have them liquidated. They were created to operate, to give a steady, dependable source

of credit, at a reasonable interest rate, to persons who cannot get adequate credit from existing institutions. So it is stretching one's imagination beyond the remotest degree of reasonableness to say that those who have worked together to build these programs over the years, and who have done so by imposing upon themselves higher rates of interest than those which would otherwise be required, would suddenly decide that, after all, they had been mistaken, and that adequate sources of credit were available somewhere else, and that therefore they would immediately sell their mortgages and their loans, and thus would obtain \$150 million, and with it would pay off the Government capital, and then would cut the melon, as the Senator from Delaware calls it, in the central bank, which is controlled by directors, a majority of whom are appointed by the Farm Credit Administration, and in the other banks. It is such a visionary possibility that the Senator from Florida cannot regard it as a practical possibility in any sense of the word.

The Senator from Florida thinks the situation is fully safeguarded, as does the Senator from New Mexico [Mr. ANDERSON], who stood by the Senator from Delaware in his fight in the committee until the committee amendment was agreed upon. When the committee amendment had been agreed upon, the Senator from New Mexico stated, as he has stated on the floor today, that he thought we had gone as far as we could to assure the continued servicing by these institutions of the people of the country who are engaged in agriculture.

Mr. WILLIAMS. Mr. President, I should like to reply to the Senator from Florida by pointing out that he says this surplus was created in the beginning by the cooperative banks' charging interest rates higher than those which were necessary, thereby accumulating a surplus; it is not that simple.

The surplus was built up over a period of years by the cooperative banks charging these organizations interest rates on money which the banks, in turn, were getting absolutely free of interest charges. For the past 21 years this agency has had interest-free money from the Government, varying from \$110 million to \$178,500,000 every year. It has averaged more than \$150 million a year. Certainly any bank which receives \$150 million of interest-free Government funds for lending purposes over a period of 20 years can make a profit by lending that money.

Had there been a loss in this agency, no one would have said, "You owe the Government for the money which was lost, and you must pay it back." I am sure of that. As it is, the institution made money. I point out that the money which was made, the \$80 million which has been accumulated, was made from loans to farmers in depression years and from interest charged on money they received from the Treasury interest-free. Furthermore, not one farmer who helped to build up the surplus would benefit from the distribution. The beneficiaries would be those who borrow in the future. There is nothing in the bill, as

the Senator from Florida will admit, which would prevent a legal distribution of this surplus as a melon should they so desire and assuming the Board agrees.

Mr. THYE. Mr. President—

Mr. WILLIAMS. I will yield in a moment.

The Senator from Florida points out that the liquidation must be approved at the Board level, and at the local level. That is true, but these institutions are operated by men. The Board members could, within the law, make the decision that it was necessary to liquidate this organization and cut the \$70 million melon. There is not a thing in the bill which would prevent such action.

All the amendment which the committee adopted would do would be to say that during the process of operation the board members could not declare patronage dividends from this surplus.

I point out that during the next 10 years this organization may operate 1 year at a \$5 million profit, and the next year at a \$5 million loss. It can charge the loss each year against surplus, and distribute the profits in years in which a profit is made as patronage dividends, thereby gradually whittling away the surplus. There is another manner in which it can be done lawfully. The other way would be to call the Government capital at par and then liquidate, dividing the \$70 million melon.

There is no disputing the fact what you are doing here is just giving away about \$72 million.

The Senator from Florida says he is positive that this surplus will not be distributed; then I cannot see why there is any objection to placing in the bill a provision to that effect. If such a distribution is ever made the Government will get its \$72 million. Such an amendment would safeguard the interest of the Government in the capital reserve as it stands today. If he will accept such an amendment, no one will be hurt. If there is never to be a liquidation—and the Senator from Florida is confident that there never will be—the amendment will be inoperative.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. HOLLAND. I point out the fact that the Senator from Delaware was invited to submit amendments to the committee. The best amendment we could arrive at is the amendment in the bill, and the Senator from Florida thinks it is adequate.

In the next place, I wish to point out to the Senator that a deliberate operation involving a \$5 million loss by reason of imposing lower interest rates than those necessary to carry the operation is impossible, because the Directors of the Farm Credit Administration must approve the interest rates. They have a control of the picture which would certainly give them the right to stand up against the elimination of this surplus by any such deliberate method of diminution of assets as the Senator has suggested.

Mr. WILLIAMS. I am not speaking of distributing the surplus through low-

er interest rates. I am saying that the corporation might have losses as the result of economic conditions. It might have losses in 1 year and profits in another. It is not required to charge losses against profits. It can charge losses each time against the \$80 million surplus, and distribute the profits. I do not see why the United States Government, which has a debt of approximately \$276 billion today, should just give away \$70 million for nothing. We must borrow the money to do it. To make it more ridiculous, we are borrowing over \$42 million of it back from those to whom we are giving it, and we are paying 2¾ percent interest.

Mr. HOLLAND. The borrowing back, as the Senator terms it, is the purchase of Government bonds by these corporations out of surplus funds.

Mr. WILLIAMS. That is the way the Government is financed.

Mr. HOLLAND. The Government is inviting not only this corporation, but everyone else, to show confidence in the Government by investing surpluses and reserves through the purchase of Government bonds. I am sure the Senator would not say that it would be prudent business for a concern with substantial surplus and reserves to wrap up the money in a napkin and not allow it to produce any earnings whatsoever.

The Senator from Florida believes that these boards have not only proceeded wisely in investing in Government bonds, but have proceeded in accordance with the request of the Federal Government that surplus funds be so invested.

Mr. WILLIAMS. But we, as Members of Congress—as the board of directors of the United States Government—are not proceeding wisely when we authorize the Government to borrow money in order to give it to an organization which has so much surplus today that it is lending it back to the United States Government. I repeat there is nothing in the bill which would prevent the organization from making a prompt liquidation and dividing the melon.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. AIKEN. The Senator from Delaware has mentioned the fact that cooperative banks lend money to the Government at a higher rate of interest than the franchise tax has amounted to so far. I am sure the Senator will agree that the members and borrowers in these banks have themselves invested about \$20 million. That \$20 million is loaned to the Government at a higher rate of interest. It is impossible to identify or earmark that particular fund, so it does not necessarily follow that the full amount is being taken from the interest-free money which has been put up by the Government.

Mr. WILLIAMS. The Senator from Vermont is correct in saying that we cannot identify separately the \$150 million of Government capital and the \$20 million invested by the members. The \$150 million of Government capital, plus \$20 million invested by members, brings the capital up to \$170 million.

There is a surplus of \$80 million, which, added to the capital, makes a total sum of \$250 million. The Senator from Vermont is correct in saying that we cannot identify the separate items from which the \$42 million comes. Nevertheless, we cannot escape the fact that the institution is lending back to the Government \$42 million and charging the Government 2¾ percent interest. That is more than it is paying the Government for the use of the entire \$250 million.

Mr. AIKEN. Will not the Senator from Delaware agree that the purpose of the Government in furnishing interest-free money to the banks for cooperatives, as well as to other farm credit organizations, was to enable such organizations to build themselves up and become strong, so that when the time came they might assume the entire responsibility themselves, take the banks over, and get the Government out of the banking business? That was the reason for putting up the taxpayers' money.

Mr. THYE. Mr. President, these farm credit agencies have done that. They build themselves up with credit reserves, which enable them to assist the depressed farmer in financing himself. The Government principal has been repaid. The interest money can now be used as a sort of cushion against any disastrous situation which may occur in the future.

Mr. WILLIAMS. The Senator from Vermont and the Senator from Minnesota, who claim that the corporation was formed in the beginning with the thought that after it got on its feet the United States Government would sell it to the farmers without any regard to the amount earned, I believe are in error in their statement. The act was passed, in 1934, when the Government put up \$110 million, and if the result had been a loss, no one in Congress would have said that the farmers should pay off the back loss. I am sure no one would have advocated that the farmers pay off such a loss.

Mr. AIKEN. I would not recommend it.

Mr. WILLIAMS. No; nor would any one else. In fact, before World War II, it looked as though there would be a loss. At that time no one proposed that the cooperative banks should pay off a loss if there was one. As the operation has proceeded over the years, largely as the result of World War II and the Korean war and not so much the result of good business management but because agricultural prices were inflated, the loans became good loans instead of bad ones, and a profit has resulted. That profit should go to the Government. Just as the Government would have had to sustain a loss, it now should get the profit.

I believe the issue is very simple. It is whether we want to give away the rights of the United States Government to the \$71 million and do it under a bill by which it would be legally possible for the recipients to distribute that amount of money as a windfall at some future date to be determined by the Board. That is the only question before us. Shall we give away these millions?

I say again that if the bill could be amended so as to prohibit such a thing happening, I would favor the bill.

Mr. President, I move that the bill be amended to provide that in the event of any future liquidation—

Mr. KNOWLAND. Mr. President, I make a point of order. The rule requires that an amendment be written out and submitted to the Senate.

The PRESIDING OFFICER (Mr. MONROE in the chair). The minority leader is correct.

Mr. WILLIAMS. The Senator from California is correct. I was only trying to expedite the consideration of the bill. I will write out the amendment. I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ANDERSON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS. Mr. President, I offer the amendment which has been referred to.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Delaware.

The CHIEF CLERK. Beginning on page 13 with line 25, it is proposed to strike out all through line 17 on page 14, and insert in lieu thereof the following:

(c) Application of assets on liquidation or dissolution: In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves then remaining shall be distributed as provided in this subsection. If necessary in absorbing losses, allocated contingency reserves and allocated surpluses shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration and other contingency reserves and surpluses shall be used pro rata. Any surpluses and contingency reserves which were on hand as of the effective date of said title I, shall be apportioned on the basis of stock ownership in the bank on such date and that part of such surpluses and reserves so apportioned to stock owned by the United States, shall be paid into the Treasury as miscellaneous receipts and that part of such surpluses and reserves so apportioned to stock owned by all others shall be paid to the holders of outstanding stock issued before the effective date of said title I and class C stock pro rata: *Provided*, That if the central bank is liquidated or dissolved before the regional banks, that part of such surpluses and reserves so apportioned to stock owned by the United States shall be distributed to the regional banks on the basis of stock held by them in the central bank, and the amount so distributed shall be added to the corresponding surplus and reserve of each regional bank subject to payment into the Treasury as miscellaneous receipts upon liquidation or dissolution of such regional bank. Any allocated surpluses and allocated contingency reserves then remaining shall be distributed as allocated on the books of the bank.

The PRESIDING OFFICER. The question is on agreeing to the amend-

ment offered by the Senator from Delaware.

Mr. WILLIAMS. Mr. President, the amendment simply strikes out paragraph (c), which begins on page 13 of the bill, and inserts in lieu thereof paragraph (c) of the bill as it was originally introduced in the Senate. The language was recommended by the Director of the Budget as necessary to protect the interest of the Government. Unless it is adopted, we lose all rights to the surplus.

I think there is one paragraph in the testimony of Mr. Smith before the committee which will very simply explain the amendment. I read from the testimony of Mr. Smith, on page 79 of the printed hearings:

Under the bill before the committee there is a difference in that if the banks were liquidated, any part of any assets which represented reserves and surplus which were in existence at the effective date of the title, and remain at the date of liquidation, would be divided between the Government and between the voting stockholders of the banks at the date of liquidation. The basis of distribution would be: If the amount of these surpluses and reserves were \$82 million, and if at the effective date of title I the Government capital in the bank was 88 percent of the total, the Government would get 88 percent of these surpluses, upon liquidation. The balance, 12 percent, would be paid to voting stockholders of the banks at the time of liquidation.

The amendment may be very simply explained in this manner: There is a surplus of approximately \$82 million in the corporation we propose to sell. In the event of any future liquidation, the United States Government, which today owns about 83 percent of the capital stock, would upon liquidation receive in distribution 88 percent of the existing reserves as of the date of the enactment of the bill.

The amendment has no connection with any future reserves which may be accumulated after the enactment of the bill. Those reserves would go in their entirety to future stockholders. If the reserves were lost, the loss would be sustained by the United States Government just the same. But in the event of liquidation at any future date, that portion of the reserves which today is applicable to the interest of the United States, which is approximately 83 percent, would go to the United States Government.

Every member of the committee and everyone else who urged the passage of the bill has said that there will never be any liquidation, and that there is no intention of that happening. If that be true, the amendment might be useless; but certainly if that be true then there can be no objection to its adoption.

The only reason, as I see it, why there might be objection to the adoption of the amendment is that at a future time someone might get the thought in the back of his head that it might be desirable to liquidate the bank and cut the melon.

Mr. President, on this amendment I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. WILLIAMS. Mr. President, I again ask for the yeas and nays.

The yeas and nays were ordered.

Mr. AIKEN. Mr. President, as a member of the subcommittee which considered the bill, I may say that we had rather extensive hearings on it. Everyone who asked for a hearing was heard. We considered all the points raised in favor of the bill, and all the points raised against certain provisions of the bill, as has been pointed out by the Senator from Delaware. At least 4 of the 5 members of the subcommittee concluded that the bill, together with the single amendment which we proposed to guard against dissipation of the reserve fund, should be enacted.

We believe the bill will be of great benefit to agriculture and to the Government. We think there is no better time, and that there is not likely to be a better time, to get the Government out of the banking business.

It is true that the Government loaned interest-free money in the 1930's to the Bank for Cooperatives, just as interest-free money was provided for many other persons.

It is true that the Government invested, altogether, about \$178 million. About \$31 million of that amount has been retired. Under the bill, all the rest will have to be retired in the years to come. Until it is retired, a franchise tax must be paid to the Federal Government in lieu of interest, and nothing can be added to the reserve account until 25 percent of the earnings of the Bank for Cooperatives, over and above the amount necessary to make up for impaired capital and the 25 percent required for surplus account, has been used.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. WILLIAMS. Will the Senator from Vermont agree with me that the adoption of the amendment would not in any way affect the operations of the Corporation except as there might at some future date be a liquidation?

Mr. AIKEN. I do not think it would. I do not believe there will be any liquidation, because the Bank for Cooperatives certainly would not liquidate until its reserves had been dissipated by losses. They cannot be lost, or spent by melon cutting.

If a time came when the Bank for Cooperatives had lost \$81 million, it would mean that the economy of the country, especially the agricultural economy, was in such poor condition that the Federal Government would have to step in anyway.

The main reason for transferring the fund was that it is not possible to spend for anything except to make up losses. The cooperative organization must make certain that it does not have to come to the Government again to make up losses in the event it has some bad years.

Mr. WILLIAMS. Mr. President, will the Senator further yield?

Mr. AIKEN. I yield.

Mr. WILLIAMS. Would not the Senator from Vermont agree with me that if there were a liquidation at some future date, then, before the reserves had been dissipated, the Government would be entitled to its 88-percent equity in the distribution?

Mr. AIKEN. There is a difference of opinion as to that, because the Government never intended to make a profit on its investment in the Bank for Cooperatives. Whatever profit has accrued, has accrued from overpayments of interest by persons who have borrowed money. I say "overpayments." Probably the only reason for happening to have this amount of money is that back in the late 1930's many of the cooperatives, which were borrowers, were not in a very sound financial situation, and the interest rate was fixed so as to take care of any possible losses which might have been anticipated at that time. Then the war came, and instead of sustaining losses, the bank for cooperatives received a profit. But the people who borrowed the money are the ones who were responsible for the accrual of a surplus.

I agree that the Senator from Delaware has an argument on his side, that the question of what to do with the reserve funds should be weighed. We decided the best thing to do was to let the banks for cooperatives keep them, so that they would not have to go to the Government in the event of 3 or 4 difficult years.

Mr. WILLIAMS. The Senator from Vermont will agree with me, will he not, that the adoption of the amendment will not force the banks to get rid of the surplus unless they were liquidating the corporation, and that would be at their own discretion? The accumulated profits belong to the Government. If there is to be liquidation, which everybody says is not intended, why should not the Government get its proportionate part of the accumulated dividends?

Mr. AIKEN. If substantial equity were left in the fund in the name of the Federal Government, those who would be taking over the banks for cooperatives could not take over the financial institutions which had been owned and operated by the farm group. There would still be a Government equity hanging over them. That might not be calamitous. In fact, I do not think it would be. Neither do I see that there would be any advantage in it if the time should come when the banks for cooperatives should liquidate. It would mean that the economy of the country would be in pretty bad shape, and the Federal Government would have to step in again as it did in the thirties.

Mr. THYE. Mr. President, I shall have to oppose the amendment. It was debated at length in committee. A subcommittee had the subject under consideration for many weeks, held public hearings, and made a study of it. The subcommittee made a recommendation to the full committee. The full committee studied the recommendations of the subcommittee, arrived at a decision, and reported the bill which is now before the Senate.

If the amendment were agreed to, it would mean that the bill would have to go to conference. This late in the session, the possibilities are that the bill would be lost. That is one objection I have to the amendment.

We must go back into the history of the Farm Credit Act. We know that the

Federal land bank system was created by an act in July 1916. It was amended over the years, both in 1933 and in 1934. A fund was made available to the farm-credit system by an act of Congress at a time when agriculture was suffering from an extreme depression. There was a question at that time as to what percentage of the landowners of the Nation would be able to retain their farms and continue to be farm operators, and what percentage would have their farms foreclosed and watch insurance companies or bankers possess the farms which they had operated, and in which they had a substantial equity. Because of the depression, land values went almost to zero. Therefore, a renewal of farmers' loans was impossible, and foreclosures were inevitable.

It was because of such conditions that Congress enacted the law and created the fund of the Farm Credit Administration. The Federal Government has not lost a cent. The Federal Government has had a substantial return in payments. The Federal Government has securities in the sum of \$150 million in stock. If the bank were to be liquidated, the Federal Government would be the first creditor to be paid.

The reserve of \$81,720,000 which has been mentioned has been built up from the earnings and interest paid by the borrowers, by the farmers who have used the fund. This sum of more than \$81 million is a financial cushion which will assure the Nation that if agriculture should suffer any recession or depression at any future time, there will be a cushion which will be capable of absorbing a few delinquent payments on the loans which the Farm Credit Administration has advanced to the farmers and farm operators throughout the land.

The fund would be a safety reliance which would assure the country that there would not be a liquidation of the farm credit association which was serving a particular community.

I think the subcommittee which conducted hearings on the bill, and the full committee of the Senate which approved the bill which is now before the Senate, were wise in their decision. The distinguished Senator from Florida [Mr. HOLLAND] was the chairman of the subcommittee which conducted the hearings. There is no member serving in the Senate who has a greater concern for safeguarding the Treasury of the United States than has the Senator from Florida. I know that he not only has a judicially trained mind, but that he is most prudent in all of his legislative work.

The Senator from Florida and the subcommittee members who served with him, after due and lengthy hearings submitted their recommendation to the full committee. If the Senate does not adopt that recommendation as contained in the bill now before the Senate, my colleagues can be certain that the bill will be lost in conference and there will not be the enactment of this legislation, which would safeguard the future of the Farm Credit Administration.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. THYE. I yield.

Mr. LANGER. I wish to commend the Senator from Minnesota, who understands the farm situation so well in his State and in the country. Being a farmer himself, and having been a governor of Minnesota, and having lived in Minnesota during the thirties, nobody is better qualified to speak on this subject than is the Senator from Minnesota.

Mr. THYE. I will say to the Senator from North Dakota that I probably know the operating procedure of the Farm Credit Administration better than I would if I had been merely a borrower. I have not been a borrower from the fund, but I was an appraiser for the Federal land bank in 1933, 1934, and a part of 1935.

I went from farm to farm and listened to the mothers and fathers who had not only operated their farms as tenants, but had paid up the total obligation owed on their farms. Throughout the depression of the early thirties, 1 year after another, they could not pay the interest on their loans and could not meet their operating expenses. The losses they suffered year after year finally accumulated to such a point that the outstanding indebtedness on their respective farms would be as much as \$3,000, \$4,000, or \$5,000, and they would lose their farms. A certain farm might be worth as much as \$12,000, \$13,000, or \$14,000, but the farmer might not be able to refinance a \$5,000 mortgage, and foreclosure was inevitable. It was common to see sheriffs proceeding to sell farms in order to try to satisfy creditors.

What would have happened if the land bank had not been in existence and if the Farm Credit Administration had not been in existence, and if the Congress in 1933 had not provided the fund which was known as the "Commissioners Fund," and which was used in the form of second mortgages to the land-bank loans?

If it had not been for that act in the farm credit field, the farm families would not have been on the farms when we escaped from the agricultural depression of the early 1930's, and out of which we emerged only because of the changed economic conditions brought about by World War II. If during the depression we had not had the kind of farm credit system that is provided for in the pending bill, today there would be far fewer families on the farms; instead, great numbers of the farms would now be controlled by insurance companies, banks, or financiers who had the means to buy farms at sacrifice sales. As a result of that process, today there would be tenants, rather than owners, on many of the farms.

It is for that reason that I wish to see the \$81 million remain as a financial cushion, so to speak, so that if there is another depression—and of course that is possible, although today financial conditions are greatly improved over what they were in those days, despite the fact that today's situation is not so good as I should like it to be—that fund can be called upon, so as to take care of the situation in case of default on certain loans. If that financial cushion remains

available, then if some loans are in default, the associations which borrowed the money will not be liquidated because of inability to repay the central bank.

Furthermore, the Government has not lost one penny in this operation. This fund is not one which we consider belongs to the Government, because the fund has been created from the excess interest rates which have been paid on the loans, going back to 1934.

Mr. LANGER. Mr. President, will the Senator from Minnesota yield to me?

The PRESIDING OFFICER (Mr. MONROE in the chair). Does the Senator from Minnesota yield to the Senator from North Dakota?

Mr. THYE. I yield.

Mr. LANGER. At the time to which the Senator from Minnesota has referred, the Governor of Minnesota was Floyd Olson. At that time the Legislature of Minnesota almost unanimously voted for a moratorium. The legality of the moratorium was contested, and the case went to the Supreme Court, and the Supreme Court sustained the legality of the moratorium.

In North Dakota we had a moratorium too, although at first it was not the same kind of moratorium, because the North Dakota Legislature was not then in session. But a little later the North Dakota Legislature passed such a moratorium.

Mr. AIKEN. North Dakota had a so-called "pitchfork moratorium" in those days.

Mr. LANGER. In Nebraska and in Kansas, Minnesota's example was followed, by declaring constitutional moratoriums.

The Senator from Minnesota is entirely correct in the statements he has made about the conditions which existed at that time. I did not know he had been an appraiser; but certainly the appraisers knew the conditions which existed.

Mr. THYE. Mr. President, I helped organize the first production credit association which was set up in Minnesota, and it is still operating and is still sound, and is serving the credit needs of the farmers within the association.

The Senator from North Dakota has referred to the moratoriums. In some communities there were so-called moratoriums which were not very commendable—I refer to those which the farmers organized, defying the sheriffs who attempted to conduct sheriff's sales on the properties. Many times the sheriffs were forced to vacate the premises and not conduct the sales.

In the winter of 1934, when the Northwest was covered with 5 or 6 inches of snow, I went forth and appraised for the emergency applications for loans, under the farm credit bank, because there were sheriff's sale notices on the properties. So the land was appraised even though it had many feet of snow on it. That was done in order to make certain that the loans could be granted before the sheriff sold the property.

The \$81 million fund which is under discussion amounts to more than mere dollars and cents. It has been said that the \$81 million should revert to the Federal Government. However, that money belongs more to the farmers who accu-

mulated it in order to have it available for use in connection with the functioning of these credit institutions. But despite that fact, it was found that the money could not be given back to the farmers. Therefore, the best judgment of the committee was that the fund should be retained, so that if, in the case of various associations, some loans should be in default, this \$81 million fund would be available as a financial reserve in connection with the operations of the Farm Credit Administration.

Mr. LANGER. In one case the commissioner's loans took care in North Dakota of \$21 million of loans which were in that very situation. I mention this one instance to emphasize the wonderful job that farm credit did for the farmers of North Dakota.

Mr. THYE. Mr. President, I shall not take further time of the Senate.

Again I wish to commend the Senator from Florida [Mr. HOLLAND], the chairman of the subcommittee, for the very able job he did in bringing this recommendation to the full committee, which accepted it.

Mr. President, the pending bill is a sound one. If Senators wish to delay enactment of the bill until a later session, let them vote for the amendment; for if the amendment is adopted at this time, it will certainly prevent passage of the bill and its final enactment during this session.

Mr. HOLLAND. Mr. President, first I wish to say I am very much indebted to the Senator from Minnesota for his kind remarks about me. I wish I could feel I merited them.

Second, let me say that what is being discussed now is a complete change of policy from that existing when the Farm Credit Administration was set up during the great depression. We do not have to guess about it, because in the case of the land banks—which had more money invested out of capital belonging to the Government than did the banks for co-operatives—the surpluses, which were larger than the ones with which we are now dealing, were allowed to remain where they should be, namely, in the banks themselves, when the farmers took over control of the banks.

Furthermore, in the case of these very institutions, at times the Government has had more capital invested in them than it has now. When the capital was paid off—and I believe that approximately \$30 million has been paid off—there was no question of interest, and there never has been a question of interest, because the Government went into the situation in an effort to stabilize a declining agriculture all over the Nation.

In 1953, for the first time, these institutions were so strong that Congress in its wisdom thought they should begin to pay to the Federal Government some interest on these advancements. By means of the so-called franchise tax, Congress prescribed the standard for those payments. I have said that last year the banks for cooperatives paid a little more than \$1 million on that tax—or not quite 1 percent; and this year they have paid \$1,600,000, or a little more than 1 percent.

But my point is that that was the rate set by us as the one to be paid on the borrowed Government capital. The surpluses were created out of the sweat and toil of those who worked in the depression years; they paid higher interest rates than were necessary, in order to make sure that those institutions, which the Government had given them, and for which they were grateful, would not be weak, but would have some surplus. So they knowingly paid higher interest rates than were required for administration purposes, because they wanted the institution to be strong and to have some reserves.

Mr. LANGER. Mr. President, will the Senator from Florida yield to me?

Mr. HOLLAND. I yield.

Mr. LANGER. Is it not true that that program saved hundreds and hundreds of banks which had loaned money to farmers? When the loans were ordered by the bank examiners to be paid, if it had not been for the land commissioner loans, the banks would have had to close.

Mr. HOLLAND. Of course that is correct, and I thank the Senator from North Dakota for his contribution.

Mr. LANGER. In that way, thousands of small banks all over the country were saved from becoming insolvent.

Mr. HOLLAND. I thank the Senator from North Dakota.

Mr. President, this amendment was in the bill when it came before us. We knew where the amendment came from, and that fact was developed in the hearings. The amendment came from a demand by the Bureau of the Budget.

Mr. President, I am glad we have an agency which is cautious and which looks at things through bankers' eyes; and I think it is an asset for the Government to have such an agency. I am not falling out with that agency, but I would fall out with the Congress if it voted to destroy the basis of the strength required for the maintenance of these institutions from the time when they were set up. If Congress now were to say, "We should have charged you interest then, and now we will charge you more interest, and will require you pay it out of the fund you created during the bad years, when you charged yourselves interest at a higher rate than that required for the making of your payments under the franchise tax."

Mr. President, Senators can figure it out for themselves, and can see that we would then be requiring the payment of twice as much interest as would have been required during those years.

Now, at a time when we are trying to restore these institutions to private hands, it is proposed to go back and say, "We ought to have charged interest back there, and we are going to charge you now, out of the surplus fund created through those bad years, more interest than you are now being required to pay under the franchise tax." We would be charging more than twice as much interest against that operation back in those distressing years.

I have not the faintest idea that any Members of the Senate would vote for the amendment if he understood that it

involves the suggestion that we reverse the policy of the Government, change the philosophy of all those who have supported the system, and be guided solely by the overcautious, overeconomically minded attitude of the Bureau of the Budget, which desires to substitute the attitude of the banker for the attitude of a Government which was trying to help agriculture in this Nation at a time when it was prostrate and needed help.

I hope the amendment of the Senator from Delaware will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Delaware [Mr. WILLIAMS] on which the yeas and nays have been ordered.

Mr. WILLIAMS. Mr. President, I shall not delay the Senate on this matter.

The point has been made that if the amendment is adopted it will represent a complete reversal in the Government's policy. I take exception to that statement because there can be no reversal. There is no policy. This is the first time we have ever voted on the question of whether we will sell the cooperative banks. Therefore there is no policy on the question of whether they should be sold or not.

Furthermore, the bill as it is written does not affect in the slightest the farm credit loans made under the Federal land banks, Farmers' Home Administration, or the Commissioner's loans, which were so eloquently defended by the Senator from Minnesota [Mr. THYE]. Neither the bill nor the amendment affects that type of loan.

You cannot escape the fact that what we are voting upon is the question of making an outright gift of \$72 million to this group of cooperatives plus loaning them another \$150 million interest free for the next 10 or 15 years.

The bill proposes the sale of the Government corporation of which the capital stock is \$170 million. Of that \$170 million, the Government owns \$150 million, and \$20 million is owned by the cooperative banks.

In addition to that stock, there is an accumulated surplus of \$32 million plus. That surplus belongs to the stockholders by any line of reasoning.

The proposal under the bill which is not affected by the amendment is that the Government, by selling the \$150 million stock, will accept at par value, share for share, class A stock, which is non-voting and noninterest paying—no dividend can be paid on it—and is redeemable by the agencies, which have the option of buying it over a period of 10 years, 15 years, or perhaps 20 years. During that period they get the use of the money free.

In addition to that, without this amendment the bill gives to the same buyers of the stock 100 percent of the Government's right in the \$32 million accumulated surplus, which amounts to about \$71½ million.

The amendment which I have offered merely proposes that in the event of any future liquidation, the United States

Government would recover its proportionate part of the accumulated surplus which was accumulated prior to its liquidation. What is wrong with that?

There is nothing in the bill which would prevent this group, if they so decided, from legally dissolving the corporation and distributing the \$82 million to the stockholders as a melon. It can be done by calling the Government stock at par.

I do not say that will be done. Every member of the committee has testified it will not be done. However, I say it is legally possible under the bill to do that unless the amendment I have offered is written into the bill. If the fund is liquidated, certainly the Government has a right to its \$70 million. The defeat of the amendment will amount to an outright gift of \$70 million.

I ask for a vote on the amendment.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Delaware [Mr. WILLIAMS]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CLEMENTS. I announce that the Senator from Delaware [Mr. FREAR], the Senator from Massachusetts [Mr. KENNEDY], and the Senator from North Carolina [Mr. SCOTT] are absent on official business.

The Senator from Texas [Mr. JOHNSON] is absent by leave of the Senate because of illness.

I further announce that if present and voting, the Senator from Texas [Mr. JOHNSON] and the Senator from North Carolina [Mr. SCOTT] would each vote "nay."

Mr. SALTONSTALL. I announce that the Senator from Wyoming [Mr. BARRETT] is absent because of illness in his family.

The Senator from Kansas [Mr. SCHOEPPEL] is necessarily absent.

The Senator from New Hampshire [Mr. BRIDGES] is detained on official business.

The result was announced—yeas 9, nays, 80, as follows:

YEAS—9

Beall	Goldwater	Payne
Bush	Jenner	Robertson
Byrd	Malone	Williams

NAYS—80

Aiken	George	McNamara
Allott	Gore	Millikin
Anderson	Green	Monroney
Barkley	Hayden	Morse
Bender	Hennings	Mundt
Bennett	Hickenlooper	Murray
Bible	Hill	Neely
Bricker	Holland	Neuberger
Butler	Hruska	O'Mahoney
Capehart	Humphrey	Pastore
Carlson	Ives	Potter
Case, N. J.	Jackson	Purtell
Case, S. Dak.	Johnston, S. C.	Russell
Chavez	Kefauver	Saltonstall
Clements	Kerr	Smathers
Cotton	Kilgore	Smith, Malne
Curtis	Knowland	Smith, N. J.
Daniel	Kuchel	Sparkman
Dirksen	Langer	Stennis
Douglas	Lehman	Symington
Duff	Long	Thurmond
Dworshak	Magnuson	Thye
Eastland	Mansfield	Watkins
Ellender	Martin, Iowa	Welker
Ervin	Martin, Pa.	Wiley
Flanders	McCarthy	Young
Fulbright	McClellan	

NOT VOTING—7

Barrett
Bridges
Frear

Johnson, Tex. Scott
Kennedy
Schoeppel

So Mr. WILLIAMS' amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

PUBLIC COMMENT ON THE POSTAL FIELD SERVICE COMPENSATION ACT OF 1955

Mr. CARLSON. Mr. President, during the discussion that preceded the passage and signing into law of the Postal Field Service Compensation Act of 1955 (S. 2061), many unfair statements were made. Some of these were against the Postmaster General of the United States, the Honorable Arthur E. Summerfield.

Now that the passage of the law is history, I think it only fair that a more objective view be recorded. Letters and telegrams have been received in the office of the Postmaster General from all ranks and grades of postal employees. They expressed their appreciation to the Postmaster General for the courageous and unwavering stand he had taken in behalf of all postal employees.

The employee magazines of the National Association of Rural Letter Carriers, the National Association of Postmasters, the National League of Postmasters, and the National Association of Postal Supervisors have been loud in their praise of the Postmaster General and his supporters in both Houses of the Congress.

The leadership of the National Association of Special Delivery Messengers has been equally generous in its support of, and admiration for, the present administration of the Post Office.

For example, here is a statement by Raymond V. McNamara, president of the National Association of Postmasters, which appeared in the July issue of the Postmasters' Gazette:

THIS IS INDEED OUR FINEST HOUR

Never in the history of the National Association of Postmasters of the United States have such benefits accrued to the individual members as those provided for in the salary legislation which President Dwight Eisenhower signed into law on June 10.

The far-reaching consequences, as they apply to the individual postmasters of the Nation, are known to you all. Almost without exception, every man and woman charged with the responsibility of administering a post office, large or small, has at long last had that responsibility recognized by his Government. This recognition, so merited, has been too long delayed.

Many worked for the successful passage of this liberal legislation and to each must go a measure of credit. However, you, the beneficiaries, have your Postmaster General,

the Honorable Arthur Summerfield, more than any other person to thank for your new found status which means so much to all of us.

In Arthur Summerfield, the postmasters of the United States have found a champion who placed principle above all else and fought our fight for weeks without end in the corridors and the hearing rooms in the Nation's Capitol.

Over the years, others had acknowledged the justification of our premise that our responsibilities as postmasters were inadequately compensated. Similar legislation was introduced, but when opposition developed of any size, our patrons succumbed to political expediency and the pressures of numerically larger groups.

Following that pattern, Arthur Summerfield could have turned his back on us, justifying his stand on precedent. But no, he chose to espouse our cause and wage an unrelenting campaign on our behalf. He chose not to yield to the pressures which sought to smother him from many sides. He fought courageously for a principle in which he believed with all his heart. He chose to ignore the dictates of political expediency that might triumph. In so doing he crossed lances with formidable antagonists, but he never flinched. He campaigned as a dedicated champion on behalf of thousands of little people whose welfare he had sworn to uphold and improve.

Never in our days will a greater friend appear to stand with us. To me and your other national officers he gave courage when all seemed lost. Without him, we could have accomplished little. With him, we accomplish much.

How can we show our sincere gratitude to this man, known personally to so few of us, but loved by so many?

If Arthur Summerfield were asked that question, I feel certain that there would be but one answer, "Be the very best postmaster to your community and your country that you can."

Until that epochal day when President Eisenhower signed our salary bill, the scales hung in our favor. We were giving more than we were receiving. A pen stroke has balanced the scales and forever we must maintain that balance by industriously improving ourselves, our offices and our service.

Your national officers would be bereft of pride, indeed, if we knew no elation in our association's great victory. Yet, humbly we know that our labors were spent for the finest group of American citizens and public servants in our glorious land. "This is indeed our finest hour."

On page 13 of the same issue, Arthur V. Smith, editor of the Postmasters Gazette, in an editorial entitled "Joy in the Post Office," has this to say:

There is reason for joy among postmasters and all other postal field personnel, about the pay raise to be cited hereafter as the "Postal Field Service Compensation Act of 1955."

It is the culmination of many years of striving and hoping by the National Association of Postmasters which had caused the introduction of many similar measures designed to place postmasters' salaries in proper relationship to the salaries of the people they supervise.

The association's proposals usually were in separate measures, and because we are a relatively small group, Congress gave us no special attention in a salary bill of our own, although the Members generally agreed that adjustments should be made.

The old postal salary structure had become what Postmaster General Summerfield called a "patchwork which stifled incentive, imposed serious injustices on employees, and interfered with service efficiency." In many formal reports based on extensive studies,

President Eisenhower, the Postmaster General, the Civil Service Commission, the Hoover Commission, and the Advisory Council to the Senate Post Office and Civil Service Committee have recommended a complete new system very much like the measure that has been signed into law.

In approving the bill President Eisenhower said the new law "represents the greatest forward step for our postal employees in more than a century." Editorials in the country's leading newspapers, and the opinions of personnel experts in and out of Government agree with the President's comment.

We predict this new salary law will become the "bill of rights" of postal personnel. That is what many called the reclassification act of 1945, although when it was enacted there were a few who said that it might take some rights away from them. They were wrong just as we believe they are wrong in their appraisal of the new law.

Postmasters should be eternally grateful to Postmaster General Summerfield, Assistants Postmasters General Abrams and Lyons and their staffs for the long months of study and work in preparing and perfecting the legislation and especially for their earnest and unwavering support of its principles. Without their persistence and unflagging activity Congress would have rejected the reclassification feature entirely.

The outstanding accomplishment which the legislation will achieve, it is generally agreed, is the acceptance of the principle of equal pay for equal work. It abandons the across-the-board method which has distorted salaries in the past. It recognizes that a pay increase should be on a percentage basis, applicable to all alike.

In a statement issued immediately after President Eisenhower signed the bill, Postmaster General Summerfield said he was particularly grateful to those postal organizations which offered their complete cooperation at the beginning of the year in the development and enactment of the program.

We are confident that the Department will administer the new law with care and fairness and with the rights of everyone in mind. In addition to more pay, all of us will have greater incentive to improve ourselves and to give better mail service to the American people.

Whatever imperfections or inequities may develop under fair and able administration of the law can be rectified by another Congress; but to the Members of this Congress, who correctly appraised our needs, we are grateful for what they have done for us and the postal service.

In the July issue of the Postal Supervisor, Michael C. Nave, president of the National Association of Postal Supervisors, issued the following statement of gratitude and praise:

At 8 a. m., June 10, 1955, President Dwight D. Eisenhower, without fuss or fanfare, in the quiet of his study, affixed his signature to the Postal Field Service Compensation Act of 1955. In announcing his approval of the pay measure the President said the legislation is "the greatest forward step for our postal employees in more than a century."

It was an historic event that, for the National Association of Postal Supervisors, wrote a glorious finis to its most sought and cherished objective. It ended a chase for a phantom that for more than 10 long years defied capture. As time is reckoned, it seems ages ago that we started on our quest for a realistic reclassification of postal supervisory salaries, little realizing at the time what an epochal adventure we were really embarking upon. None expected as easy a road, but no one expected either the many bitter disappointments and heartbreaking reverses which for more than a decade it fell to our lot to endure. But adversities only served to

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

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For actions of August 1, 1955
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For Highlights see page 7.

HOUSE

1. CCC BORROWING POWER. Passed without amendment S. 2604, to increase the borrowing power of CCC from \$10 billion to \$12 billion (pp. 10960-1). This bill will now be sent to the President.
2. FARM CREDIT. Concurred in the Senate amendment to H. R. 5168, to provide for retirement of the Government capital in certain institutions operating under FCA supervision and to increase borrower participation in the management and control of the Federal Farm Credit System (p. 11016). This bill will now be sent to the President.
3. TOBACCO. Passed without amendment S. 2295, to provide that, in establishing farm acreage allotments for burley tobacco crops for 1956, 1957, and 1958, the acreage allotment for any farm which has not been retired from agricultural production shall not be reduced below the acreage allotment which would otherwise be established unless the acreage harvested was less than 50% of the allotted acreage in each of the preceding 5 years, in which event it shall not be reduced to less than the largest acreage harvested in any year in such 5-year period (p. 11024). This bill will now be sent to the President.

4. PERSONNEL. Agreed to H. Res. 305, to make available \$75,000 to the Post Office and Civil Service Committee for investigations of personnel administration, etc. (p. 10955).
5. APPROPRIATIONS. Passed without amendment H. J. Res. 434, to continue at the existing rate legislative appropriations for the fiscal year 1956, in view of the conferees' disagreement regarding H. R. 7117, the regular legislative appropriation bill (pp. 11028-9).
6. PUBLIC LANDS; MINING. Agreed to the conference report on H. R. 100, to permit the mining, development, and utilization of the mineral resources of all public land withdrawn or reserved for power development (p. 10952). This bill will now be sent to the President.
Concurred in the Senate amendment to H. R. 6994, to provide for entry and location, on discovery of a valuable source material, upon public lands classified as or known to be valuable for coal (p. 10954). This bill will now be sent to the President.
7. INTERNATIONAL FINANCE CORPORATION. Passed without amendment S. 1894, to provide for U. S. participation in the International Finance Corporation (pp. 10962-5). This bill will now be sent to the President.
8. BANKING AND CURRENCY. Passed without amendment S. 1189, to permit national banks to make 20-year real estate loans and 9-month residential construction loans (pp. 10965-6). This bill will now be sent to the President.
Rep. Patman criticized administration of the Federal Reserve System and the office of the Comptroller of the Currency (pp. 11036-8).
9. WATER COMPACT. Passed without amendment S. 730, consenting to a compact between Kans. and Okla. regarding Ark. River waters (p. 11011). This bill will now be sent to the President.
10. RECLAMATION. Both Houses received a message from the President stating that he had approved H. R. 103, to provide for construction of distribution systems on authorized Federal reclamation projects by irrigation districts and other public agencies, but objecting to various provisions of the bill and recommending legislation to change these provisions (H. Doc. 223); to Interior and Insular Affairs Committees (pp. 11028, 10833-4).
11. FLAMMABLE FABRICS. Rejected, 46-108, a resolution for consideration of H. R. 5222, amending the Flammable Fabrics Act to exempt scarves which do not present an unusual hazard (pp. 11028-33).
12. FARM PRICES. Rep. Abernethy deplored the reductions in farm prices (p. 10953).
13. FOOD ADDITIVES. Rep. O'Hara, Minn., explained the revised bills, H. R. 7605 and 7606, to provide for regulation of chemical food additives (p. 11023).
14. REORGANIZATION. Rep. Patman criticized the recommendations and procedures of the Hoover Commission (pp. 11038-9).
15. DAIRY INDUSTRY. Rep. Laird commended the progress in getting rid of the dairy surplus and indicated his belief that the dairy industry has a good future (pp. 11039-40).
16. CIVIC AUDITORIUM. The Speaker appointed members to the commission to plan a civic auditorium in D. C. (p. 11028).

confronted with litigation for taxable years falling in this period in order to secure the rights to which the courts, with practical unanimity, have held they are entitled.

H. R. 6143 eliminates the necessity for such litigation by making the provisions of the 1954 Code available to years beginning after May 31, 1950.

This bill was reported unanimously by the Committee on Ways and Means.

Mr. JENKINS. Mr. Speaker, H. R. 6143 amends the Internal Revenue Code of 1939 to apply the special rules providing capital-gains treatment for sales or exchanges of patents in section 1235 of the Internal Revenue Code of 1954 to taxable years beginning after May 31, 1950. This bill was introduced by the distinguished gentleman from Connecticut [Mr. SADLAK] and was reported unanimously by the Committee on Ways and Means.

AMENDING SECTION 1237 OF THE INTERNAL REVENUE CODE, 1954

Mr. COOPER. Mr. Speaker, by direction of the Committee on Ways and Means, I ask unanimous consent for the immediate consideration of the bill (H. R. 6712) to amend section 1237 of the Internal Revenue Code of 1954, which was unanimously reported favorably by the committee.

The Clerk read the title of the bill.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 1237 (a) of the Internal Revenue Code of 1954 is amended by striking out "other than a corporation" and inserting "(including corporations only if no shareholder directly or indirectly holds real property for sale to customers in the ordinary course of trade or business)."

SEC. 2. Section 1237 (b) (3) of the Internal Revenue Code of 1954 is amended as follows:

(a) In subparagraph (A) strike out "sewer facilities" and insert "sewer facilities, other public utilities."

(b) At the end of paragraph (3) insert: "The requirements of subparagraphs (B) and (C) shall not apply in the case of property acquired through the foreclosure of a lien thereon which secured the payment of an indebtedness to the taxpayer or (in the case of a corporation) to a creditor who has transferred the foreclosure bid to the taxpayer in exchange for all of its stock and other consideration and in the case of property adjacent to such property if 80 percent of the real property owned by the taxpayer is property described in the first part of this sentence."

SEC. 3. This act shall apply to all taxable years beginning after December 31, 1954.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. COOPER. Mr. Speaker, prior to the enactment of the Internal Revenue Code of 1954 those who subdivided real estate for sale were often held by the courts to be engaged in the trade or business of selling real estate. These holdings were predicated on the frequency, substantiality of the sales, and the continuity of sales activity involved in such projects, even though the taxpayer was not a dealer in real estate and was simply utilizing the most profitable and ex-

pedient method of liquidating property acquired by inheritance, foreclosure, or other nonsale purpose.

With respect to individuals, section 1237 of the 1954 code removed the uncertainty in this field by providing special rules for the taxation of gain from the sale of real property. Thus the taxpayer will not be regarded as engaged in the trade or business of selling real property solely because he subdivides a tract for purposes of sale or because of any activity incident to the subdivision or sale of the property comes within the scope of the section if he is not a dealer in such property.

The relief granted was not extended to corporate taxpayers, therefore, H. R. 6712 extends the scope of section 1237 of the 1954 code to include corporations if no shareholder of such corporation holds property for sale to customers in the ordinary course of his business. The bill also broadens the scope of section 1237 by extending its provisions to certain property on which the taxpayer has made public-utility improvements.

This bill was unanimously reported by the Committee on Ways and Means.

Mr. JENKINS. Mr. Speaker, H. R. 6712 amends section 1237 of the Internal Revenue Code of 1954 relating to real property subdivided for sale. Under this bill the capital-gains treatment generally granted by section 1237 is extended to certain corporations and other taxpayers who may not qualify under the present section. This bill also allows taxpayers under certain circumstances to make public-utility improvements on the property that is within the scope of this section. The bill was reported unanimously by the Committee on Ways and Means.

PROVIDING THAT AMOUNTS WHICH DO NOT EXCEED 61 CENTS SHALL BE EXEMPT FROM TAX IMPOSED UPON AMOUNTS PAID FOR TRANSPORTATION OF PERSONS

Mr. COOPER. Mr. Speaker, by direction of the Committee on Ways and Means, I ask unanimous consent for the immediate consideration of the bill (H. R. 7634) to provide that amounts which do not exceed 61 cents shall be exempt from the tax imposed upon amounts paid for the transportation of persons, which was unanimously reported favorably by the Committee on Ways and Means.

The Clerk read the title of the bill.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 3469 (b) of the Internal Revenue Code (exemption of certain trips from tax on transportation of persons) is hereby amended by striking out "The tax imposed by subsection (a) shall not apply to amounts paid for transportation which do not exceed 35 cents" and inserting in lieu thereof the following: "The tax imposed by subsection (a) shall not apply to amounts paid for transportation which do not exceed 61 cents".

SEC. 2. The amendment made by the first section of this act shall apply to amounts paid on or after the first day of the first month which begins more than ten days after the date of the enactment of this act for transportation on or after such first day.

With the following committee amendment:

Page 1, strike out lines 3 to 10, inclusive, and insert: "That part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 (relating to tax on transportation of persons) is hereby amended by striking out 'The tax imposed by section 4261 shall not apply to amounts paid for transportation which do not exceed 35 cents,' and inserting in lieu thereof 'The tax imposed by section 4261 shall not apply to amounts paid for transportation which do not exceed 60 cents,'."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended to read: A bill to provide that amounts which do not exceed 60 cents shall be exempt from the tax imposed upon amounts paid for the transportation of persons.

A motion to reconsider was laid on the table.

Mr. COOPER. Mr. Speaker, when the tax on the transportation of persons was imposed in 1941, certain short trips of a local nature were not subjected to the tax.

This was achieved by exempting fares which did not exceed 35 cents. Because of the general increase in the costs of operating transportation services and the necessary offsetting fare increases the 35-cent fare exemption is now ineffective for purposes of exempting commutation travel. H. R. 7634 is designed to restore the effectiveness of the exemption and accomplishes this objective by increasing the exempt fare from 35 to 60 cents.

The reasonableness of this figure is evidenced by the fact that railroad coach fares in the eastern part of the country have risen since 1940 from 2 cents a mile to 3.375 cents, an increase of 68 percent.

This bill was unanimously reported by the Committee on Ways and Means.

Mr. JENKINS. Mr. Speaker, H. R. 7634 increases from 35 cents to 60 cents the maximum charge for fares which are to be exempt from the 10-percent excise tax on amounts paid for the transportation of persons. When the tax on the transportation of persons was imposed in 1941, it was the intention of the Congress to exempt from tax certain short trips of a local nature. The exemption was designed to free from tax the ordinary trip involved in commuting to and from work. The increase in the size of the exemption contained in this bill is simply an adjustment to allow for the increase in transportation costs since 1941. The bill was introduced by the distinguished gentleman from New Jersey [Mr. KEAN], as was a similar bill introduced by the distinguished gentleman from Pennsylvania [Mr. SIMPSON]. The bill was reported unanimously by the Committee on Ways and Means.

AUTHORIZING STATES TO ORGANIZE AND MAINTAIN STATE DEFENSE FORCES

Mr. KILDAY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 7289) to authorize the States to organize and

maintain State Defense Forces, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 1, line 8, strike out all after "forces" over to and including "President" in lines 8 and 9 on page 2.

Page 2, line 22, strike out "1952." and insert "1952."

Page 2, strike out all after line 22 over to and including line 10 on page 3.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

RETIREMENT OF GOVERNMENT CAPITAL IN INSTITUTIONS OPERATING UNDER SUPERVISION OF FARM CREDIT ADMINISTRATION

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 5168) to provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes, do pass with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 12, line 9, after "allocated", insert "": Provided, That any surplus and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

WEST RIVER, CONN.

Mr. PRIEST. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2514) to declare the portion of the waterway of West Haven and New Haven, Conn., known as the West River, northerly of a line running north 85° 54' 43.5" east from a point whose coordinates in the Corps of Engineers Harbor Lines System are north 4,616.75 and west 9,450.80, a nonnavigable stream.

The Clerk read the title of the bill.

Mr. MARTIN. Mr. Speaker, reserving the right to object, what does this bill do?

Mr. PRIEST. This is a bill that would declare a certain portion of the waters of West Haven and New Haven, known as the West River, a nonnavigable stream.

May I say that the gentleman from Connecticut [Mr. CRETILLA] introduced the bill. It came to our committee. We

did not have time for hearings. It is my understanding that Governor Ribicoff, the State highway department, and everybody in the State of Connecticut is favorable, and there is no objection from the Corps of Engineers.

Mr. MORANO. If the gentleman will yield, this just permits the State of Connecticut to build a throughway over a part of a stream that will be declared nonnavigable under this bill.

Mr. MARTIN. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That the portion of the waterway in which is located the West River in the town of West Haven, Conn., and the city of New Haven, Conn., lying northerly of a line extending north 85 degrees 54 minutes 43.5 seconds east, from a point (1,158.535 feet from the most westerly corner of the existing bulkhead and pier line) whose coordinates in the Corps of Engineers Harbor Line System are north 4,616.76 and west 9,450.80, is hereby declared to be a nonnavigable water of the United States within the meaning of the Constitution and laws of the United States.

SEC. 2. The line hereinbefore described shall be established as a combined pierhead and bulkhead line of the West River.

SEC. 3. Any project heretofore authorized by an act of Congress, insofar as such project relates to the above-described portion of the West River, is hereby abandoned.

SEC. 4. The right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MORAL REARMAMENT STATESMEN'S MISSION

(Mr. SHEPPARD asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. SHEPPARD. Mr. Speaker, I want to call your attention at this point in the proceedings to the heartening and inspiring news of the MRA statesmen's mission. The program for this mission was prepared at the World Assembly for Moral Rearmament under the leadership of Dr. Frank N. D. Buchman at Mackinac Island, Mich., May 26 to June 5. Following its reception in Washington, the mission left on June 10 for Honolulu and Japan.

BACKGROUND FACTS

A group of African and Asian leaders prepared a statement following the World Assembly for Moral Rearmament at Washington in January 1955. In it they said:

Moral rearmament points the way to achieve a constructive cooperation which none need fear and which can benefit all mankind.

At the Bandung Conference in April, Dr. Fadhil Jamali, leader of the Iraqi delegation, in a vigorously applauded speech at the first plenary session made an appeal for East-West unity on a basis of moral rearmament.

Hosts to the statesmen's mission were Ichiro Hatoyama, Prime Minister of

Japan; Generalissimo and Madame Chiang Kai-shek, and O. K. Yui, Prime Minister of the Chinese Government on Formosa; Ramon Magsaysay, President of the Philippines; Ngo Dinh Diem, Prime Minister of Vietnam; Field Marshal Pibulsonggram, Prime Minister of Thailand; Dr. Ba U, President of Burma; Sir John Kotelawala, Prime Minister of Ceylon; Dr. Rajendra Prasad, President of India; and Mohammed Ali, Prime Minister of Pakistan.

Invitations for the remainder of the trip include His Imperial Majesty the Shah of Iran and Abdul Entezam, Foreign Minister of Iran; Burhanuddin Bashayan, Foreign Minister of Iraq; and Colonel Nasser, President of the Egyptian Republic. They will also be received by national leaders of Turkey and Greece, and will arrive at Geneva September 1, enroute to the World Assembly for Moral Rearmament at Caux-sur-Montreux, Switzerland.

MISSION WHO'S WHO

The Mission itself is composed of political leaders from all five continents and they take with them the cast of a new ideological play *The Vanishing Island*, written by Peter Howard. The party consists of 198 men and women from 28 nations.

Among those taking part, either throughout or at certain stages of the journey, are Dr. Theodor Oberlaender, Minister for Refugees in the German Federal Cabinet; Diomedé Catroux, member of the French National Assembly, Minister of Air in the Mendes-France cabinet; Ole Bjorn Kraft, leader of the Danish Conservative Party and chairman of NATO 1952-53; The Tolon Na, Yakabu Tali, Member of the Gold Coast Legislature and president of the Northern Territories Council; the Honorable B. C. Okwu, member of the House of Assembly in Eastern Nigeria; Dr. Oskar Leimgruber, Chancellor of the Swiss Confederation, 1943-51; John McGovern, member of Parliament, Great Britain; James Haworth, member of the national executive of the British Labor Party; Niro Hoshijima, member of the Japanese Diet and signatory of the Japanese Peace Treaty; Roseller T. Lim, congressman from the Philippines; Joseph Scott, leading Catholic attorney of Los Angeles; Kanju Kato, former Minister of Labor of Japan and leader of the right-wing Socialist Party; Dr. Daniel Lew, United Nations technical counselor for Nationalist China; Maj. K. T. Hara-wira, representing the King of the Maoris, New Zealand; Daw Nyein Tha, nationally known educator of Burma; Surya Sena, son of Sir James Pieris, first Ceylonese to preside over the Legislative Assembly of Ceylon; Majid Movaghar, representing the Shah of Iran; Fausto Pecorari, Vice President of the Italian Constituent Assembly; Mahmoud Masmoudi, Minister of State for Tunisia; Ger. L. M. Chassin, Commander in Chief of the Metropolitan Defense Air Force of France; Eugene Claudius-Petit, Cabinet Minister in six postwar French governments; Robert Carmichael, president of the jute industry of France and newly elected president of the European jute industry; Ole Olsen of the Olsen and Johnson productions; and Madam Irene

Public Law 347 - 84th Congress
Chapter 785 - 1st Session
H. R. 5168

AN ACT

All 69 Stat. 655.

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1955". Farm Credit
Act of 1955.

TITLE I—BANKS FOR COOPERATIVES

SEC. 101. Section 42 of the Farm Credit Act of 1933, as amended, is amended to read as follows: 48 Stat. 264.
12 USC 1134d.

"SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP; VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF STOCK.—Except as provided in section 111 of the Farm Credit Act of 1955, each regional bank for cooperatives shall have the following classes of stock, all of which shall have a par value of \$100 per share:

"(1) Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States, and stock of such banks held by the Governor on the effective date of title I of the Farm Credit Act of 1955 shall be exchanged, share for share, for class A stock of the respective banks. Class A stock shall be nonvoting and no dividends shall be paid thereon. At the end of each fiscal year, each of such banks, subject to the provisions of sections 33 and 40, shall determine the amount of class A stock that shall be retired at par by that bank. The minimum amount of class A stock that shall be retired shall be the equivalent in dollar value of the amount of class C stock issued for that year, except that class C stock issued by a regional bank on account of class C stock issued to it by the central bank, class C stock issued by a regional bank in exchange for class B stock the proceeds of which were used to retire an equivalent amount of class A stock, and class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of title I of the Farm Credit Act of 1955, shall not be included in such bank's calculation. Any amount of class A stock retired in excess of such minimum amount in one year may be used to reduce to that extent the amount of such stock required to be retired in any subsequent year. Funds from the retirement of class A stock shall be paid into the revolving fund authorized by the Agricultural Marketing Act, as amended, and shall continue to be available for the purchase of class A stock in the banks in accordance with sections 33 and 40. Class A stock.
12 USC 1134i,
1141d, 1134b.
Post, p. 662.

"(2) Class B stock may be issued in series and amounts approved by the Farm Credit Administration, and may be sold or transferred to any person subject to the approval of the issuing bank. Such stock shall be issued only at par and shall be nonvoting. Any bank may pay dividends of not to exceed 4 per centum per annum on class B stock if declared by the board of directors and approved by the Farm Credit Administration and if the surplus account of the bank, after payment of such dividends, will not be less than 25 per centum of the sum of all its outstanding capital stock. Dividends on class B stock shall not be cumulative, but no bank shall distribute in any year any of its net savings as patronage refunds as provided in section 36 (a) unless for that year a dividend of at least 2 per centum is declared and paid upon outstanding class B stock of the bank. Each series of class B stock shall be issued only with the approval of the 46 Stat. 11.
12 USC 1141j (f).
Class B stock.

Farm Credit Administration and shall carry on the face of each certificate a statement of the maximum dividend which may be declared and paid thereon and of the minimum dividend which shall be declared and paid thereon before the bank may distribute any of its net savings as patronage refunds: *Provided*, That such maximum and minimum dividends may be the same amount. After all class A stock has been retired, class B stock may be called for retirement at par with the approval of the Farm Credit Administration and shall be called in such manner that the oldest outstanding stock at any given time will be retired first. Any holder of class B stock whose stock has been called for retirement may elect, with the approval of the issuing bank, to leave his stock in the bank subject to its being included in the next call for retirement.

Class C stock. "(3) Class C stock, except as approved by the Farm Credit Administration and consented to by the issuing bank, may be issued only to banks for cooperatives and farmers' cooperative associations as defined in section 15 (a) of the Agricultural Marketing Act, as amended. Such stock may be issued in fractional shares, shall be issued at its fair book value not exceeding par, as determined by the bank, and no dividends shall be paid on it. Each holder of one or more shares of class C stock which is eligible to borrow from a bank for cooperatives shall be entitled to one vote only: *Provided*, That any such holder which within the period of two years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting has not been a borrower from a bank of which it holds class C stock shall not be entitled to vote. From time to time each bank for cooperatives shall obtain information concerning its class C stockholders to determine whether they continue to be eligible to borrow from the bank and to vote. Any class C stockholder found by the bank to be ineligible to borrow shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank. Whenever in section 5 of the Farm Credit Act of 1937, as amended, and section 4 (a) of the Farm Credit Act of 1953, provision is made for a nomination or election by cooperatives which are stockholders or subscribers to the guaranty fund of any bank for cooperatives the term 'cooperatives which are stockholders or subscribers to the guaranty fund' or the equivalent of that term, shall mean such cooperatives which are eligible to vote. Each borrower from a bank for cooperatives shall be required to own at the time the loan is made at least one share of class C stock. The purchase price of such stock may be retained out of the loan. In addition, each borrower as defined by the Farm Credit Administration for purposes of this sentence, shall be required to invest quarterly in class C stock an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the bank with the approval of the Farm Credit Administration, of the amount of interest payable by it to the bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of the borrower are payable, but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during the year. Each regional bank shall purchase at least one share of class C stock of the central bank. In addition, the regional bank shall be required to invest quarterly in class C stock of the central bank an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by the regional bank to the central bank during the calendar quarter by reason of any interest purchased by the central bank in a loan made by the regional bank. Payments for such stock shall be made to the central bank and the stock shall be issued to

50 Stat. 704.
12 USC 640a
et seq.
67 Stat. 390.
12 USC 636c.
Post, p.666.

the regional bank in the same manner, insofar as practicable, as is provided in this section for payments for and issuance of stock on account of loans by the regional bank in which the central bank does not purchase any interest. Subject to rules prescribed by the board of directors of the lending bank with the approval of the Farm Credit Administration a borrower may convert class B stock into class C stock for the purpose of making the investment in class C stock required by this paragraph. After retirement of all class A stock, class C stock also may be retired at par by calling the oldest outstanding class C stock, but class C stock that was issued for a fiscal year period shall not be called for retirement until all class B stock that was issued during or prior to that fiscal year has been called for retirement.

“(b) **GUARANTY FUND SUBSCRIPTIONS IN LIEU OF STOCK.**—If a cooperative association is not authorized under the laws of the State in which it is organized to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit to the guaranty fund, a sum equal to the amount of class C stock which the association would otherwise be required by subsection (a) (3) of this section to own at the time the loan is made and to purchase thereafter. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of class B stock, and shall receive credits to such fund in lieu of patronage refunds payable in class C stock. Each reference in this Act to capital stock or class B or class C stock shall include also the guaranty fund equivalents of such stock, and, to the extent permitted under the laws of a State in which a cooperative association is organized, a holder of guaranty fund equivalents of either class B or class C stock shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the bank as respects such guaranty fund equivalents shall be identical to its rights and obligations as respects class B or class C stock, respectively.

“(c) **LIEN ON STOCK.**—Except as hereinafter provided in the case of an association which is a direct borrower from the central bank, each bank for cooperatives shall have a first lien on all stock in the bank owned by each cooperative association as additional collateral for any indebtedness of such association to the bank. In the case of an association which is a direct borrower from the central bank, the central bank shall have a first lien on any amount of class C stock which the borrowing association owns in any regional bank on account of direct loans of such association from the central bank; and the regional bank shall have a lien on such stock junior only to the lien of the central bank. In any case where the debt of a borrower is in default, the bank may, in accordance with regulations of the Farm Credit Administration, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof, not exceeding par, in total or partial liquidation of the debt, as the case may be, and, to the extent required, corresponding shares held by a regional bank in the central bank shall be retired.

“(d) **CALCULATION OF PROPORTIONATE INTERESTS IN BANKS.**—For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term ‘capital stock and subscriptions to the guaranty fund held by cooperatives’ or the equivalent of that term shall also mean all outstanding class B and class C stock and the guaranty fund equivalents thereof.”

12 USC 1134k.

SEC. 102. Section 35 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"SEC. 35. APPLICATION OF REGIONAL BANK STOCK PROVISIONS TO CENTRAL BANK.—All provisions of law with respect to class A, class B, and class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the central bank shall be required to own at the time the loan is made at least one share of class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in class C stock in such regional bank or banks as the Farm Credit Administration shall designate an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by such borrower to the central bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of such borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during such year. The regional bank whose stock is so issued to such borrower shall purchase a corresponding amount of class C stock in the central bank."

12 USC 1134l.

SEC. 103. (a) Section 36 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank for cooperatives, at the end of each fiscal year, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 per centum of any remaining savings shall be used to create and maintain a surplus account; (3) if said bank shall have outstanding capital stock held by the United States during the whole or any part of the fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 per centum of its net savings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of the Treasury; (4) reasonable contingency reserves may be established; (5) dividends on class B stock may be declared as provided in section 42 (a) (2); and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (b) of this section: *Provided*, That any patronage refunds received by a regional bank from the central bank shall be excluded from net savings of the regional bank for the purpose of computing such franchise tax. Amounts applied as provided in (2) and (4) above after the effective date of title I of the Farm Credit Act of 1955 shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year, any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceeds 25 per centum of the sum of all its outstanding capital stock, the bank may distribute in the same manner as a patronage refund any part or all of such excess which has been allocated: *Provided*, That any surplus and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds.

In making such distributions, the oldest outstanding allocations shall be distributed first. Wherever used in this Act, the words 'surplus account' as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 and any amounts applied as provided in (2) above after the effective date of said title I. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this section and may be further subdivided as prescribed by the Farm Credit Administration. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of class C stock; and fifth, the impairment of all other stock.

"Surplus account".

"(b) PATRONAGE REFUNDS.—The patronage refunds of each regional bank for cooperatives shall be paid in class C stock to borrowers, as defined by the Farm Credit Administration for the purposes of this subsection, during the fiscal year for which the refunds are declared. Patronage refunds of the Central Bank for Cooperatives shall be paid in class C stock to the regional banks for cooperatives upon the basis of interests held by the central bank in loans made by the regional banks and upon direct loans made by the central bank to cooperative associations; and any part of such refunds derived from such direct loans of the central bank shall be paid in class C stock issued to the regional bank or banks which issued to the borrower the stock incident to the loans, or to a regional bank or banks designated by the Farm Credit Administration, and such bank or banks shall issue a like amount of class C stock to the borrowers. All patronage refunds shall be paid in the proportion that the amount of interest earned on the loans of each borrower bears to the total interest earned on the loans of all borrowers during the fiscal year.

"(c) APPLICATION OF ASSETS ON LIQUIDATION OR DISSOLUTION.—In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, class A stock and class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration."

(b) For purposes of applying the amendment in subsection (a) of this section, that part of the fiscal year 1956 preceding the effective date of title I of this Act and that part of such year following said effective date shall be deemed to be separate fiscal years.

Separation of fiscal years.

SEC. 104. Section 31 of the Farm Credit Act of 1933 is amended to read as follows:

12 USC 1134g.

"SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—The Central Bank for Cooperatives shall have seven directors. Of this number four shall be appointed by the Governor of the Farm Credit Administration, by and with the advice and consent of the Federal Farm

Removal.

Rules for nominations, etc.

Credit Board, and three shall be elected by the regional banks for cooperatives and cooperative associations: *Provided*, That the terms of office of directors established prior to the effective date of title I of the Farm Credit Act of 1955 shall continue through the thirty-first day of December next following the effective date of said title I and shall expire at the end of that day. Three of the directors appointed by the Farm Credit Administration shall be appointed for terms of one year, two years, and three years, respectively, as designated at the time of appointment and the fourth appointed director shall be appointed for a term of three years and thereafter each appointed director shall be appointed for a term of three years. Any appointed director may be removed at pleasure at any time by the Farm Credit Administration. The Farm Credit Administration shall prescribe rules and regulations for the nominations and elections required by this section. Sufficiently in advance of the first day of January next following the effective date of title I of the Farm Credit Act of 1955, and at any time subsequent to the enactment thereof, the Farm Credit Administration shall take all action necessary in order to permit the elections hereby provided and shall group the several farm credit districts into three areas, each of which shall be comprised of four contiguous farm credit districts, and a director shall be elected from nominees from each of such areas by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote. The three elected directors shall be elected for terms of one year, two years, and three years, respectively, as shall be designated by the Farm Credit Administration and thereafter elected directors shall be elected for terms of three years: *Provided*, That whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall equal or exceed 66 $\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of said bank as of the date six months before the expiration of the term of office of any appointed director, except the fourth appointed director, whose term next expires, the successor to such director shall be elected from nominees for a term of three years by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote on a basis of areas comprised of two contiguous farm credit districts as designated by the Farm Credit Administration. Appointed directors except the fourth appointed director shall continue to be replaced by elected directors in accordance with the foregoing provisions until the total number of elected directors shall be six, elected one from each of six such areas comprised of two contiguous farm credit districts. Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall not equal or exceed 66 $\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of the banks as of the date six months before the expiration of the term of office of any elected director whose term next expires, the successor to such elected director shall, if the number of elected directors then exceeds three, be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board for a term of three years. In any such case where only one additional appointed director is needed in order to increase

the total number of appointed directors to four, and the terms of office of more than one elected director next expire, the Farm Credit Administration shall designate the one of such next expiring terms of office which shall be replaced by the additional appointed director. Any vacancy in the Board whether filled by appointment or by election shall be filled for the unexpired term in the same manner in which the vacant office was filled. Each regional bank for cooperatives, each cooperative association which is a direct borrower from the central bank, each holder of one or more shares of class C stock in a regional bank for cooperatives which is eligible to vote under section 42 (a) (3), and each holder of one or more shares of stock in the central bank or any regional bank for cooperatives issued before the effective date of title I of the Farm Credit Act of 1933 which is eligible to vote shall be eligible to vote for directors of the central bank and each such holder shall be entitled to one vote only without regard to the number of shares held in any one or more of said banks, and the vote of any such holder of stock in more than one bank shall be cast only with respect to elections in the area in which is located the main office of such holder. Elected directors shall have been, for at least two years, residents of the area for which they are elected. No person shall be eligible for nomination, election, or appointment as a director if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration or of any corporation operating under its supervision. Any person who is a member of the Federal Farm Credit Board or a district farm credit board when appointed or elected as director shall resign as a member of the Federal Farm Credit Board or the district board before assuming his duties as director of the central bank. No person who becomes such director shall be eligible to continue to serve if he becomes a member of the Federal Farm Credit Board or any district farm credit board or an officer or employee of the Farm Credit Administration or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

Vacancies.

SEC. 105. Section 32 of the Farm Credit Act of 1933 is amended to read as follows: 12 USC 1134h.

"SEC. 32. POWERS OF BOARD OF DIRECTORS OF CENTRAL BANK.—The Board of Directors of the Central Bank for Cooperatives shall elect a Chairman and a Vice Chairman from among its members. The powers of the Board of Directors shall be such powers as may be prescribed in the charter and bylaws with the approval of the Farm Credit Administration: *Provided*, That said Board without limitation of powers conferred by section 60 shall have power, subject to approval of the Farm Credit Administration, to appoint and fix the compensation of the chief executive officer and such other officers and employees, experts, and consultants as may be necessary for the efficient conduct of the bank's business: *Provided further*, That the chief executive officer of the bank shall not be an officer or employee of the Farm Credit Administration."

Chairman and Vice Chairman.

SEC. 106. Section 38 of the Farm Credit Act of 1933 is amended by adding at the end of said section the following new sentence: 12 USC 1134j.

"After the effective date of title I of the Farm Credit Act of 1933 any amendment in the terms of the charter issued to any bank for cooperatives and any regulation issued under authority of this section or otherwise affecting lending operations of any such bank shall be consistent with the principle that the central bank shall make loans only in cases where it is not practicable for the loan to be made by a regional bank."

Charter amendments, etc.

12 USC 1134e, 1141d. SEC. 107. Section 41 of the Farm Credit Act of 1933, as amended, is amended by adding a new paragraph as follows:

"Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank."

12 USC 1134i, 1141d. SEC. 108. (a) Section 33 of the Farm Credit Act of 1933 is amended by striking the words "Chairman of the Board" in the last sentence of said section and substituting in lieu thereof the words "Board of Directors".

12 USC 1134j, 1141d. (b) Section 34 of the Farm Credit Act of 1933, as amended, is amended by striking the words "Chairman of its Board of Directors" in the first paragraph of said section and substituting in lieu thereof the words "Farm Credit Administration".

12 USC 1141f. SEC. 109. Subsection (a) of section 8 of the Agricultural Marketing Act, as amended, is amended to read as follows:

"(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

12 USC 1138e. SEC. 110. (a) Section 65 of the Farm Credit Act of 1933 is amended by striking the word "regional" in the first sentence of said section.

12 USC 1138f. (b) Section 66 of the Farm Credit Act of 1933, as amended, is hereby repealed.

12 USC 636f. (c) The second sentence of section 7 (a) of the Farm Credit Act of 1953 is hereby repealed.

12 USC 665. (d) Section 6 of the Act approved January 23, 1932 (47 Stat. 14), is amended by adding immediately following the comma after the word "Act" where it first appears the following: "the Farm Credit Act of 1933".

Prior loans, applicability of title, etc. SEC. 111. This title shall be applicable to loans made before its effective date from the date on which they may be changed by agreement to conform hereto, otherwise, except as provided in this title, such loans shall be treated as though this title had not been enacted. Any cooperative association owning capital stock or guaranty fund credits in any bank for cooperatives issued before the effective date of this title which is eligible to vote shall, as long as such eligibility continues, be entitled to vote to the same extent as a holder of class C stock which is eligible to vote; any cooperative association owning such stock or guaranty fund credits shall be entitled to have such stock or credits retired as though this title had not been enacted; and any such association may with the consent of the bank have such stock or credits, if it is found eligible to own class B or class C stock, converted in whole or in part into class B or class C stock or equivalent guaranty fund credits: *Provided*, That any bank for cooperatives with the approval of the Farm Credit Administration may retire at any time capital stock or guaranty fund credits issued before the effective date of this title held by any cooperative association and may hold the proceeds of such retired stock or guaranty fund credits as security for any indebtedness of the association to the bank.

Effective date. SEC. 112. This title shall take effect on the first day of the month next following one hundred and twenty days after its enactment.

TITLE II—PRODUCTION CREDIT SYSTEM

SEC. 201. Section 21 of the Farm Credit Act of 1933 is amended by striking out of the fifth sentence the words "all stock shall share in dividend distributions without preference" and substituting therefor the words "Dividends may be paid on class A and class B stock without preference or on class A stock alone, as the board of directors of the association may determine". 12 USC 1131e.

SEC. 202. Section 22 of the Farm Credit Act of 1933 is amended to read as follows: 12 USC 1131f.

"SEC. 22. (a) Each production credit association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the production credit corporation.

"(b) A production credit association may pay dividends of not to exceed 7 per centum per annum when such payments are approved by the production credit corporation of the district and are consistent with policies established under regulations issued by the Farm Credit Administration."

SEC. 203. The amounts in the guaranty fund reserve and the reserve account for bad and doubtful debts of each production credit association shall, as of the effective date of this title, be transferred to the surplus account of such association established pursuant to the provisions of section 22 of the Farm Credit Act of 1933 as amended by section 202 of this title.

SEC. 204. Section 23 of the Farm Credit Act of 1933 is amended to read as follows: 12 USC 1131g.

"SEC. 23. Each production credit association shall, under such rules and regulations as may be prescribed by the production credit corporation of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the corporation. No borrower shall be indebted to the association at any one time in an amount in excess of 15 per centum of the capital and surplus of the association unless the loan has the prior approval of the corporation, or in excess of 35 per centum of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock of the association in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21 of this Act." Investments and loans to farmers.

SEC. 205. The last sentence of section 63 of the Farm Credit Act of 1933 is hereby amended to read as follows: "The exemption provided herein shall not apply with respect to any production credit association or its property or income after the class A stock held in it by the production credit corporation has been retired, or with respect to the Central Bank for Cooperatives, or any production credit corporation or bank for cooperatives, or its property or income after the stock held in it by the United States has been retired." 12 USC 1138o.

TITLE III—FEDERAL LAND BANK SYSTEM

39 Stat. 360.
12 USC 651-656,
685, 659-664,
711-723, 731-
734.

SEC. 301. Sections 3, 7, and 8 of the Federal Farm Loan Act, as amended, are amended—

(a) by changing next to the last paragraph of section 3 to read as follows: "The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out by each such association or bank and transmitted to said administration as required by it.";

(b) by changing the fifth sentence of the fourth paragraph of section 7 to read as follows: "He shall make a report to the Farm Credit Administration as required by it upon forms to be provided for that purpose."; and

(c) by deleting the last sentence of section 8.

12 USC 691-698. SEC. 302. The last paragraph of section 5 of the Federal Farm Loan Act, as amended, is repealed.

12 USC 751-756. SEC. 303. Section 10 of the Federal Farm Loan Act, as amended, is amended by adding at the end thereof a new paragraph as follows:

Reports on value of security, etc. "Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this Act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this Act, if otherwise qualified thereunder: *Provided*, That, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this Act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds a more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons."

12 USC 857.

12 USC 771,
772.

SEC. 304. Section 12 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing paragraph "Fourth" to read as follows: "Such loans may be made for general agricultural purposes and other requirements of the owner of the land mortgaged, under rules and regulations of the Farm Credit Administration.";

(b) by striking out the period at the end of the second sentence of paragraph "Fifth" and adding the following: "; and, consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm.";

(c) by striking out "the raising of livestock" wherever it appears in next to the last sentence of paragraph "Sixth" and substituting therefor "farming operations" and by striking out of such sentence "Land Bank Commissioner" and substituting therefor "Farm Credit Administration"; and

(d) by striking out "\$100,000" from paragraph "Seventh" and substituting therefor "\$200,000" and by striking out of such sentence "but loans to any one borrower shall not exceed \$25,000 unless approved by the Land Bank Commissioner," and substituting "but loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration,".

SEC. 305. Paragraph "Nineteenth" of section 13 of the Federal Farm Loan Act, as amended, is amended by adding at the end thereof a new sentence as follows: "Such a deferment may be permitted for other purposes for a period not exceeding five years under regulations prescribed by the Farm Credit Administration." 12 USC 781.

SEC. 306. (a) That part of section 23 of the Federal Farm Loan Act, as amended, which precedes the last paragraph, is amended to read as follows: "Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually until said reserve account shall show a credit balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid." 12 USC 901-902.

"After deducting the 50 per centum or the 10 per centum hereinbefore directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration.

"The reserves of land banks shall be invested in accordance with rules and regulations prescribed by the Farm Credit Administration."

(b) The second sentence of section 24 of the Federal Farm Loan Act, as amended, is amended by striking out the period at the end thereof and adding the following: "until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration." 12 USC 911-915.

(c) The amendments made by (a) and (b) of this section shall become effective on the next January 1, or July 1 whichever first succeeds enactment hereof. Effective date.

SEC. 307. Section 601 (a) of the Department of Agriculture Organic Act of 1944 is amended by inserting after "Federal land banks," the second time it appears therein, "national farm loan associations,"; by striking out "joint-stock land banks," wherever it appears therein; and by striking out the period at the end thereof and inserting "except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration." 58 Stat. 740. 12 USC 832.

TITLE IV—MISCELLANEOUS PROVISIONS

12 USC 640b. SEC. 401. (a) Section 5 (b) of the Farm Credit Act of 1937, as amended, is amended by changing the sixth sentence thereof to read as follows: "After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

12 USC 640d. (b) Section 5 (d) of the Farm Credit Act of 1937, as amended, is amended—

(1) by substituting "six months" for "three months" wherever it occurs in paragraph (2) thereof; and

(2) by adding at the end thereof a new paragraph as follows: "(4) As directed by the Farm Credit Administration, the election of a director under section 5 (d) (2) by any group may be begun any time within six months before the expiration of the term of office to which the director is to succeed, subject to the required determination being made as of the date six months before the expiration of such term of office that a director so elected by such group is to serve in lieu of a district director (or third district director)."

12 USC 636c. SEC. 402. Section 4 of the Farm Credit Act of 1953 is amended—

(a) by inserting in the first proviso in subsection (a) "all persons so tied shall be considered designated as nominees" in lieu of "the procedure prescribed therein shall be followed again until the tie is broken";

(b) by inserting before the period at the end of the second sentence of subsection (b) "except that one full term of six years shall be considered to include an additional four months if the particular term is one which was legally extended for an additional four months"; and

(c) by adding the following additional sentence at the end of subsection (c): "All terms of office which otherwise would expire on November 30 of any year following enactment of the Farm Credit Act of 1955 are extended four months to expire on the following March 31 so that the term of office of all successors to the terms so extended shall begin with the first day of April."

Separability. SEC. 403. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this Act is hereby expressly reserved.

Approved August 11, 1955.